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JFMIP

1984 ANNUAL REPORT

JOINT FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM

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WHAT IS JFMIP?

The Joint Financial Management Improvement Program (JFMIP) is a joint and cooperative undertaking of the Office of Management and Budget, the General Accounting Office, the Department of the Treasury, and the Office of Personnel Management, working in cooperation with each other and with operating agencies to improve financial management practices. The Program was initiated in 1948 by the Secretary of the Treasury, the Director of the Bureau of the Budget, and the Comptroller General, and was given statutory authorization in the Budget and Accounting Procedures Act of 1950.

The overall objective of JFMIP is to improve and coordinate financial management policies and practices throughout the Government so that they will contribute significantly to the effective and efficient planning and operation of governmental programs. Activities aimed at achieving this objective include:

--Reviewing and coordinating central agencies' activities and policy promulgations to avoid possible conflict, inconsistency, duplication, and confusion.

--Acting as a clearinghouse for sharing and disseminating financial management information about good financial management techniques and technologies.

--Reviewing the financial management efforts of the operating agencies and serving as a catalyst for further improvements.

--Providing advisory services in dealing with specific financial management problems.

The JFMIP plays a key role in mobilizing resources and coordinating cooperative efforts in the improvement of financial management practices, and relies on the active participation of Federal agencies to be successful.

ANNUAL REPORT

1984

The Joint Financial Management Improvement Program

FOREWORD

This report describes financial management initiatives undertaken in 1984 by the Joint Financial Management Improvement Program and its principal agencies, which are the Department of the Treasury, Office of Management and Budget, the General Accounting Office, and the Office of Personnel Management. In addition, the report highlights some of the major financial management improvements accomplished and currently underway in operating agencies throughout the Federal Government.

The central agencies -- the Department of the Treasury, the Office of Management and Budget, the General Accounting Office and the Office of Personnel Management -- continue to foster financial management improvement through Reform '88, new auditing methodology, cash management reviews, and other efforts. The Single Audit Act paves the way for greater coordination between auditors reviewing Federal financial assistance provided to State and local governments. These efforts have isolated specific problem areas and presented a solution. Together they will strengthen financial management in Government.

We are publishing this report to fulfill one of our objectives of sharing and disseminating information among managers so that an exchange of ideas and some lessons learned on system development can be made. Each write-up is followed by the name of the responsible official and his or her telephone number to encourage direct contact and exchange of more detailed information.

We take this opportunity to express our appreciation to all of the agency officials who contributed to this report. We wish success to all agency initiatives to make financial management improvements, and we look forward to hearing of new and significant accomplishments in the near future.

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CHAPTER I

JOINT FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM

A. BACKGROUND

The Joint Financial Management Improvement Program (JFMIP) is a joint and cooperative undertaking of the Office of Management and Budget, the General Accounting Office, the Department of the Treasury, and the Office of Personnel Management, working in cooperation with each other and with operating agencies to improve financial management practices. The Program was initiated in 1948 by the Secretary of the Treasury, the Director of the Bureau of the Budget, and the Comptroller General of the United States and was given statutory authorization in the Budget and Accounting Procedures Act of 1950.

The overall objective of JFMIP is to improve and coordinate financial management policies and practices throughout the Government so that they will contribute significantly to the efficient and effective planning and operation of governmental programs. Leadership and guidance are provided by the four Principals of the Program--the Director of the Office of Management and Budget, the Comptroller General of the United States, the Secretary of the Treasury, and the Director of the Office of Personnel Management. The program is administered by a Steering Committee, which is composed of representatives of the Principals and the Executive Director of the JFMIP. Under the guidance of the Steering Committee, the Executive Director and his staff develop, direct, and undertake programs and projects for JFMIP on a day-to-day basis. Appendix A is a listing of key officials and Appendix B lists the JFMIP staff members during 1984.

Achievement of financial management improvements depends heavily on the interest and active participation of personnel from the principal and operating agencies. The JFMIP plays a key role in mobilizing resources and coordinating cooperative efforts in the improvement of financial management practices. To fully achieve the necessary coordination and cooperation, the head of each Federal agency has designated a liaison official to serve as a point of contact on matters relating to the JFMIP. Agency liaison representatives are identified in our annual Financial Management Directory.

The JFMIP and its staff perform a variety of activities aimed at achieving its objective of financial management improvement. JFMIP reviews and coordinates central agencies' activities and policy promulgations to preclude possible conflict, inconsistency, duplication, and confusion. It acts as a clearinghouse for sharing and disseminating information about good financial management techniques and technologies. In this respect, JFMIP sponsors conferences and workshops, publishes a quarterly news bulletin, and prepares informative documents on good financial management practices. Working closely with agency liaison representatives,

JFMIP reviews the financial management efforts of the operating agencies and serves as a catalyst for further improvements.

In addition, JFMIP undertakes special studies and research projects of a governmentwide nature to resolve specific problems. Such projects are carried out through interagency project teams from both principal and operating agencies. Sometimes, project teams include representatives of State and local governments, depending on the nature of the projects. JFMIP also provides advisory services in dealing with specific financial management problems. These problems may be dealt with by referral to a source of expertise, by assignment to the principal agencies, or by informal consultation.

During the past year, the JFMIP staff and the principal agencies have undertaken many activities to improve financial management. In the balance of this chapter, some of their major accomplishments and initiatives are highlighted.

B. JOINT FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM (JFMIP)

1. Special Projects Completed in 1984

a. Microcomputers in Financial Management. A study on how Federal agencies are using microcomputers in financial management areas was completed in 1984. The study found that microcomputers are being widely used in the audit and budget communities, but not as extensively in accounting offices. Examples of financial management applications using the microcomputers were publicized in a special edition of a JFMIP News Bulletin. The JFMIP News Bulletin publishes articles on financial applications of the microcomputers on a quarterly basis.

b. Financial Handbook. The financial handbook for Federal managers was revised and updated to reflect recent developments in financial management in the public sector. The handbook includes 16 chapters on various aspects of financial management, including topics such as: budget preparation, administrative control of funds, accounting systems, financial reporting, internal control, cash management, and others. With simple and nontechnical terms, the handbook provides background information to enhance the knowledge of financial management and contains questions that may be useful in assisting executives in gaining knowledge about their organization's financial management functions.

c. Centralized Management Information System. The Department of Commerce developed an interim approach to meet the Department's central management information needs as well as the reporting requirements of the Office of Management and Budget. The Department of Commerce's approach provides a systematic way of extracting, consolidating, and storing Bureau's financial information in a consistent and uniform manner in a centralized data base. The data base then becomes a source for periodic reports or

immediate access when information is needed. A booklet, "Financial Management Data Base, Department of Commerce" was prepared by the JFMIP staff to describe the approach used by the Department in meeting the requirements for consistent, timely, accurate, and useful information.

Commerce developed a series of automated "bridges" linking the bureaus' systems with the system at the Office of the Secretary. The "bridges" were designed to extract, standardize, edit, and store information in a departmental financial data base to be used within the Office of the Secretary to prepare management reports, answer ad hoc queries, and perform special analyses. In developing the bridges, the Department was determined not to change existing systems in the various bureaus.

The initial version of the financial management data base enabled the Department to meet baseline requirements for budget execution and debt management identified by the Office of Management and Budget for the Reform '88 Interim Financial and Administrative Management System. Expansion efforts during fiscal year 1984 enabled the Department to meet all baseline requirements for the Reform '88 project by October 1984.

2. Special Projects Underway in 1984

a. Accounting System Profiles. The Accounting System Profiles represent an initial effort by the JFMIP to maintain a reference document on major Federal departments and agencies' accounting systems. This document is to be used to advise Federal officials on inquiries regarding accounting systems' improvements.

The system profiles are organized by department or agency. Each profile contains a short overview of the organization's financial structure and a section on the system description, including: types of transactions, financial functions, and type of computer, and a brief narrative of the system. The information for the profiles was derived from existing sources. We will be updating the profiles on an annual basis.

b. Performance Plans and Senior Executive Service Contractual Provisions for Financial Management. A study of performance plans and Senior Executive Service contracts was made to find out whether contractual provisions relating to financial matters were included in both financial and nonfinancial managers performance plans. A survey was conducted at four organizations: Departments of Interior and Commerce, the National Science Foundation, and the Veterans Administration. It was determined that financial managers included provisions relating to financial management, while nonfinancial managers' performance plans contain provisions only for internal controls, as required by the Federal Managers' Financial Integrity Act.

c. State/Federal Equity Program. A Joint State/Federal Cash Management Reform Task Force was formed in 1983 for the purpose of providing equitable cash management policies and practices on Federal Assistance Programs monies flowing to the States. Both State and Federal policies and practices are involved. Because of JFMIP's cash management work in four States, California, Illinois, New Jersey, and Tennessee, and the experience gained from these studies, the Executive Director of the JFMIP was asked in 1984 to serve on this Intergovernmental Task Force. Several meetings were held with State and Federal officials to resolve mutual issues in 1984. These discussions and agreements are ongoing and will continue until an overall agreement can be reached between the States and Federal Governments on the cash management policies and practices to be followed by both State and Federal Government in the cash management policies and practices of Federal Assistance Programs.

3. Annual Financial Management Conference

The JFMIP sponsors an annual financial management conference to disseminate information on current financial issues and recent developments on financial management improvements. Over 900 people attended the JFMIP's 13th annual conference held on April 16, 1984, in Washington, D.C.

The two keynote speakers were Carole Dineen, Fiscal Assistant Secretary, Department of the Treasury and Charles A. Bowsher, Comptroller General of the United States. Both speakers highlighted current financial management reforms and those changes that the Federal financial community expects to see take place in the near future. Mrs. Dineen addressed Treasury's modernization efforts and leadership role in the areas of payments, collections, cash management, and governmentwide accounting. Mr. Bowsher discussed six key financial issue areas that should be addressed by Federal financial managers. The areas include: lack of cost data; accounting systems that encourage year-end spending; the need for better capital investment planning and budgeting; full disclosure of financial information; streamlining the financial processes; and financial management modernization through the use of the latest computer and communication technology.

The highlight of the Conference was the presentation of the 1983 Donald L. Scantlebury Memorial Awards for exceptional financial management improvement to Roger B. Feldman, Comptroller of the Department of State and James F. Antonio, State Auditor of Missouri.

Four workshops were held that covered the following topics:

--New Horizons for Accounting Systems Improvement

--Auditing with Microcomputers

--Financial Integrity Act - One Year's Experience

--High Technology Impact on Financial Management.

4. JFMIP Workshops

Workshops on current technical issues are periodically sponsored by JFMIP and Federal Executive Boards in various cities. The Federal Executive Board at St. Louis and JFMIP sponsored a workshop on "The Financial Integrity Act - One Year's Experience" in May 1984. Workshops on "Current Management Issues" were held in San Francisco and Cincinnati. These workshops covered a wide variety of topics, including Reform '88, OMB Circular A-76, Improving Productivity through Competition, Internal Controls, and the Use of Microcomputers for Financial Management.

5. Agency Meetings

Throughout the year, JFMIP meets with top financial management personnel from major departments and agencies to learn about agency concerns, problems, and initiatives in financial management. These visitations enable JFMIP to bring together agencies that are working, or have worked, on similar projects for the purpose of sharing and exchanging experiences and knowledge. Through this cross-fertilization effort, JFMIP hopes to minimize systems developmental costs and to elevate the quality of the financial management systems. Meetings were held with the following organizations in 1984.

--Army Corps of Engineers
--Department of Agriculture
--Department of Justice
--Department of Labor
--Federal Emergency Management Agency
--Federal Home Loan Bank Board
--General Services Administration
--International Trade Commission
--Interstate Commerce Commission
--National Endowment of the Arts
--National Science Foundation
--Nuclear Regulatory Commission
--Small Business Administration

We also met and briefed the visitors from the countries of Nigeria and Australia on financial management matters in the United States.

C. OFFICE OF MANAGEMENT AND BUDGET (OMB)

1. Reform '88

The Office of Management and Budget, under the direction of the White House, implemented several Reform '88 initiatives at departments and agencies. Reform '88 is the President's program

to improve management and administration, to enhance ongoing initiatives and implement new management processes and systems for more efficient and effective operations in the Federal Government.

Some of the Reform '88 initiatives in financial management include: (a) consolidating common administrative support servicing operations, (b) reducing fraud, waste, and abuse by improving controls over Federal fund expenditures and adopting better management and internal control procedures, (c) promoting and sharing good agency management systems, and (d) enhancing, improving, and sustaining existing projects such as cash management, debt collection, excess property sales, procurement practices, unliquidated obligations, and excess paperwork.

The specific accomplishments reported by OMB include the following:

a. Prompt Payments. In accordance with the Prompt Payment Act and its implementing directive, OMB Circular A-125, 63 departments and agencies reported to OMB on interest penalty payments made during fiscal year 1984. The reports show that agencies for the second year have paid more than 99 percent of the Government's bills on time. Of the approximately 31 million Government payments, only 285,000 were paid late.

The financing of over $100 billion in Government contracts has been strengthened by another policy change initiated by the Prompt Payment Act. OMB, through Circular A-125, advised Federal departments and agencies that progress payments can no longer be provided for commercial-type items, nor for items where progress payments are not a customary commercial practice. Unless the exact timing of progress payments is specified in a contract, progress payments will be made 30 days after billing. Agencies must require something in return whenever progress payments are either added after contract award, made more frequently than monthly, or made at higher than normal rates.

OMB has also moved to strengthen payment practices by restricting use of "fast pay" procedures. The Federal Acquisition Regulations permit agencies to make payments to vendors based upon vendor assurance that goods have been shipped, rather than waiting for goods to be received. A recent Inspector General report disclosed that millions of dollars of material purchased and paid for by the Government under "fast pay" procedures was not received. The proposed change to Circular A-125 will restrict use of this technique to individual cases where determined to be warranted by the agency head. (Marvin Saunders, 395-3445)

b. Credit Management. The management of Federal credit programs is being reformed through a series of initiatives, many of which flow from the Debt Collection Act of 1982.

Following passage of that Act, and of the Deficit Reduction Act of 1984, OMB issued agency guidance on the use of credit management practices that had been utilized by the private sector. These are:

--Information on commercial debt and delinquent consumer debt is now being referred to credit bureaus.

--Loan applicants are being screened using private sector credit checks to determine credit history and any prior problems with the Federal Government.

--Loan applicants are also being screened against the Internal Revenue Service (IRS) records to see if they owe delinquent taxes.

--Federal employee salaries are being offset to recover unpaid debts.

--Delinquent debts are being recovered by administrative offset of amounts owed to a debtor from another Federal agency.

--Current addresses of delinquent debtors are being obtained from the IRS and provided to collection agencies.

--Collection agencies are being allowed to collect delinquent debt on a contingency fee basis rather than using program funds. Fees are not paid unless collections are made.

The Debt Collection Act of 1982, allows Federal agencies to report delinquent accounts to private credit bureaus. There are three objectives for this initiative:

--To have available for the first time both the Federal Government and private sector credit experience when evaluating the creditworthiness and financial reliability of applicants for Federal assistance;

--To establish a central information exchange system, referred to as a "clearinghouse," between Federal agencies and the private sector; and

--To provide an incentive to delinquent debtors to repay their Government debt in a more timely manner by establishing a reporting process that could affect their credit rating and future ability to borrow.

All departments and major agencies signed agreements in October 1984 with two commercial credit bureaus and five consumer credit bureaus. The agreements stipulate the specific information that the Government will provide and the responsibilities of the parties to transfer, store, and protect access to the data.

The Deficit Reduction Act of 1984 allows agencies to submit to the IRS information about delinquent debtors that may be used to recover debt through the offset of income tax refunds otherwise due the taxpayer. The provision is effective for implementation during 1986 and 1987.

In consultation with OMB and the IRS, agencies are identifying programs to include in the offset process. It is estimated that in the first two years of the program, receipts of $253 million and $344 million respectively will be recovered. Effectiveness of the initial effort will be considered in determining the appropriateness of renewing legislation to continue and expand offsets. (Jack Donahue, 395-3066)

c. Activities Under the Financial Integrity Act. The Federal Managers' Financial Integrity Act of 1982 requires agency heads to report each year on the status of their systems of internal control and whether their accounting systems conform to the Comptroller General's principles and standards. These reports identified the most important control system weaknesses in each department and agency, and provided a plan and schedule for the correction of each weakness. The 1984 reports also furnished details of the actions taken to correct weaknesses cited in the 1983 reports.

OMB has worked closely with agency officials and the General Accounting Office (GAO) in developing internal control procedures and techniques, providing technical assistance, and monitoring progress in establishing appropriate systems of internal or management controls.

During the past year, agencies reexamined and strengthened their internal control evaluation, improvement, and reporting processes. Significant progress was made in evaluating program and field unit operations, and in integrating the internal control process into agencies' basic management structures. Actions were undertaken to correct the weaknesses reported in 1983 and more detailed evaluations were made to disclose additional control systems' weaknesses. Once again, updated plans and schedules were developed for correction of the weaknesses and corrective actions were initiated. (Fred Heim, 634-2114)

d. Financial Management Systems. Top-level attention was brought to bear on financial management systems through the annual OMB management reviews. This new system of reviews has reduced duplication and overlap of agency system development work. For example, funding for additional development of Agency for International Development, Peace Corps, and the United States Information Agency accounting systems has been made unnecessary because they will be adopting the State Department's system.

Two model civilian accounting system projects are underway: one for international agencies developed by the State Department, and a second for domestic agencies, headed by the Department of

Transportation. Another effort is underway in the Defense Department, which has adopted a standard general ledger providing a uniform financial information structure and integrating budgeting and accounting.

OMB will continue working with the GAO on the application of Federal financial management standards. Each agency will develop a single, integrated financial management system that is to be the source for all financial management information. New systems are to be developed on an interagency basis. (David Gribble, 395-4773)

e. Productivity Initiatives. One important aspect of the President's Management Improvement Program is the implementation of OMB Circular A-76 "Performance of Commercial Activities," which requires that agencies conduct studies to determine whether the Government or a commercial operation is the most efficient means of providing an administrative support activity.

The policy is founded on the belief that competition enhances productivity. Recent experience shows that improved quality as well as cost reductions averaging over 20 percent have been obtained through well-planned cost competitions with private businesses.

The President's Council on Management Improvement (PCMI) has been given responsibility for ensuring fuller implementation of the A-76 program. OMB and the PCMI are working together on a legislative proposal and strategy to remove impediments erected by Congress that block wider implementation of the A-76 policy.

Complementing the A-76 program is a renewed emphasis on in-house management efficiency reviews of activities that cannot be considered for contracting out or cross-servicing by other agencies. The strategy for more extensive implementation of both of these productivity enhancement tools is to place the decision-making responsibility with agency heads, and to establish a productivity measurement system to record the results. Agency activities appropriate for A-76 or efficiency reviews will be identified and monitored by OMB, along with costs, full-time employees, and workload levels. Thus, for the first time, data will be available to compare the cost of similar activities, and identify "best practices" across Government. (David Muzio, 395-6810)

f. Reduction in Agency Administrative Costs. As part of the effort to ensure governmentwide cost reduction, the President directed non-Defense agencies to reduce their overhead costs by at least 10 percent from the 1985 enacted level. OMB and the agencies worked together to identify generally-agreed-upon overhead categories and determine the amount of savings. Total outlay savings in 1986 are $584 million and will rise to $683 million by 1990.

The reductions for each agency were reached by establishing specific administrative policy changes. In doing so, the Administration had the advantage of literally hundreds of recommendations from the Grace Commission, Section 2901 of the Deficit Reduction Act, and Reform '88 initiatives. In achieving the reduction targets, the recommendations of these three sources, where relevant, were used extensively to pare back agency administrative spending. (John Merck, 395-3774)

g. Modernizing Administrative Support Functions. OMB recommended that agencies overhaul their administrative support functions. Agency improvements include:

--Consolidation of administrative services at headquarters and regional levels. Agencies are working to establish administrative support centers that serve all their components that are colocated or geographically proximate.

In some instances, administrative services are being provided by one organization to other bureaus or agencies to achieve economies of scale and permit the use of new technology at a lower cost.

--Automation of labor-intensive activities such as payments, inventory control, and accounting. Administrative offices are working to simplify procedures and processes and use off-the-self or standardized software. Inefficient existing systems are being reduced, and new developments in technology are being shared across several agencies. Where investment in technology is occurring, clear-cut returns on those investments in the form of reduced costs and staff are being programmed in the outyears of agency budgets.

--Application of staffing standards or guidelines for common administrative functions. Staffing guidelines are being developed by the President's Council on Management Improvement in selected administrative areas such as personnel, payroll, procurement, and administrative payments. These standards, which are based on workload factors, can then be applied throughout the Government to ensure appropriate staffing levels. (Dennis Boyd, 395-6903)

h. Personnel/Payroll Systems. A limited number of up-to-date personnel/payroll systems will be developed with common data elements to ensure the availability of consistent, governmentwide data upon which to operate departments and agencies, evaluate operations, and base managerial decisions. Agencies are working with OMB to consolidate the Federal Government's inventory of almost 150 personnel/payroll systems into a few generic systems.

As part of this consolidation effort, small agencies with fewer than 6,000 employees are being urged to enter into cross-servicing arrangements with other agencies that have already developed more advanced, cost-effective systems. One of the

objectives under Reform '88 is to have no more than one personnel/payroll system per agency. (Blair Ewing, 395-6107)

2. Budgeting

a. New Documents Related to the 1986 Budget. The OMB issued three new documents that provided information in addition to that provided by the regular budget document.

--Historical Tables. A new budget document, Historical Tables, Budget of the United States Government, provides budget users with a wide range of data on Federal finances. Most of the data series in the document are also shown in the budget for a much more limited time span. In many cases, the financial data cover all years from 1940-1990. In preparing an integrated set of records for publishing the data for this document, errors discovered in previously recorded data were corrected.

--Management Report. This first annual report, Management of the United States Government, Fiscal Year 1986, was submitted in response to a requirement, contained in Section 2903 of the Deficit Reduction Act of 1984, that the President report to Congress on efforts to improve the management of the Federal Government. The report goes beyond the legislative mandate. It reports on all management improvements proposed in the President's 1986 Budget. Part 1 describes the accomplishments and ongoing efforts of the Reform '88 Program; Part 2 discusses legislation proposed by the Administration to remove statutory impediments to good management; Appendix A addresses specific Congressional savings targets in Section 2901 of the Deficit Reduction Act; and Appendix B provides a status report on recommendations of the Grace Commission.

--Background on Major Spending Reform and Reduction in the Budget. This new document describes the proposal and rationale for major freezes and program reforms, major program eliminations, user fees, and other program savings.

b. Improved Presentations in the Regular Budget Documents. The OMB has continued to make budget information more useful by adding information to the 1986 Budget, the Special Analyses, and the Appendix.

Some of the changes include the following:

--There is a new subsection, "Legislative proposal," in Part 6 of the 1986 Budget that discusses the reasons for the inclusion of off-budget entities to the budget totals.

--Improvement in the Special Analyses includes new data on Federal investment and operating outlays and expanded discussions of Federal credit programs.

3. Improvement Due to Automation

a. Photocomposition. Certain data in the Budget Preparation System (BPS) supported data base are electronically transferred directly into the Government Printing Office (GPO) Photocomposition System for printing. For example:

--For the 1986 Budget Appendix, the program and financing schedules activity lines above line 10 (a total line) were coded for entry into the BPS system. This allowed for data-migration and photocomposition, in addition to automatic rather than manual checking of line 10. Also, stub entries for the program and financing and object class schedules for all cabinet departments and several smaller agencies were photocomposed. Previously, only number columns had been photocomposed from the BPS and the capability included fewer agencies. Additionally, OMB has the capacity to correct all this data as the need arises.

--The budget authority and outlays tables in Part 5 of the 1986 Budget were also prepared using the BPS supported data base. Where necessary, program data can be broken-down into more detail. In addition, the merger of text and tables have been expanded, and used in the Budget-in-Brief and Special Analyses. In the future, plans are to merge the text and tables in-house, rather than at GPO.

--Pilot tests were successfully conducted on the concept of the BPS supported data-migration of large and/or complex tables. Photocomposition was used for the more than 20 pages of tables in Tables A-15 and 16 of the Current Services Estimates, Special Analyses A of the 1986 Budget.

The expanded application to automate more of the printing of the budget documents has many advantages. It eliminates time-consuming manual print corrections and separate data entry by GPO, in turn, reducing printing costs and making it possible to meet Congressional deadlines for transmittal of the budget documents.

b. The Central Budget Management System (CBMS). CBMS, an automated data base management, reporting, and analysis system was used extensively:

--in the deliberative process to provide a central planning and budgeting capability within OMB to support the Federal budget formulation process;

--in the preparation of the Historical Tables, Budget of the United States Government, 1986. The data base included about 50 tables of 1 to 40 pages per table; and

--in the preparation of graphs in the 1986 Budget-in-Brief, using CBMS graph capability.

CBMS was also used to maintain data on baseline estimates and reductions related to Section 2901 of the Deficit Reduction Act. Related rescission messages were automated, and CBMS is used to track other types of management initiatives, including recommendations by the Grace Commission.

D. GENERAL ACCOUNTING OFFICE (GAO)

1. Review of Federal Government Program Management

In fiscal year 1984, GAO issued 634 audit reports and special studies. About 70 percent of these reports were submitted to the Congress, its committees and members. The remaining 30 percent of the reports were addressed to Federal agency officials, but were also provided to interested Congressional committees and members. GAO's audit work is performed under the authority in its basic statutes, as a result of specific legislative mandates, or in response to specific requests by committees or members of the Congress. Table 1 shows the number of audit reports issued during fiscal year 1984, categorized by major audit area.

TABLE 1

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1984[1/]

	Number of Reports
Administration of Justice	33
Agriculture	24
Automatic Data Processing	11
Commerce and Housing Credit	10
Community and Regional Development	16
Congressional Information Services	2
Education, Training, Employment and Social Services	22
Energy	74
Financial Management and Information Systems	47
General Government	72
General Purpose Fiscal Assistance	5
General Science, Space, and Technology	13
Health	28
Impoundment Control Act of 1974	18
Income Security	21
International Affairs	47
Multiple Functions	3
National Defense	106
Natural Resources and Environment	44
Nondiscrimination and Equal Opportunity	3
Transportation	24
Veterans Benefits and Services	11
Total	634

[1/]This listing excludes certain reports classified for national security reasons for which unclassified digests have not been prepared.

In many cases, the results of GAO's work cannot be expressed in terms of dollars saved by the Federal Government. Frequently, GAO's work leads to increased efficiency, improved day-to-day operations, or enhanced well being of individual citizens.

Further details on the results of GAO's work are included in the United States General Accounting Office Annual Report for 1984.

2. Revised Accounting Principles and Standards Issued

On November 14, 1984, GAO issued the revised accounting principles and standards, Title 2 of the GAO Policy and Procedures Manual for Guidance of Federal Agencies.

Title 2 sets accounting principles and standards for Federal executive branch agencies. The changes in Title 2, last revised in 1978, update the Federal Government's accounting principles and standards to reflect the many recent advances in accounting theory and practice, and to bring the Federal financial accounting and reporting requirements into line with those used by State and local governments and the private sector. The requirements contained in Title 2 are the "generally accepted accounting principles for the Federal Government."

Title 2's standards are the criteria Federal officials are required to use to make their Federal Managers' Financial Integrity Act determinations of whether their agencies' accounting systems comply with Federal accounting principles and standards. Also, starting in fiscal year 1985, Federal agencies will be required to prepare annual financial statements reflecting their overall position and operations. The statements are to be prepared from the accounting and budgeting system that is an integral part of the entity's total financial management system, and one that contains sufficient discipline, effective internal controls, and reliable data.

Title 2 consists of three major sections: accounting principles and standards, internal control standards (based on the standards issued in June 1983), and financial management systems standards (now being developed).

Many of the Title 2 revisions were intended to make the standards easier to use. The presentation of accounting principles and standards differentiates between accounting concepts and standards and is organized alphabetically by subject, rather than by financial statement line item, as in the previous edition. A complete index is provided for further ease of reference. (Bruce Michelson, 275-9423 or Amanda Flo, 275-9422)

3. Single Audit Act of 1984

The Single Audit Act of 1984 (P.L. 98-502) establishes uniform requirements for audits of Federal financial assistance provided to State and local governments. GAO has long supported the single audit concept and has frequently testified on its behalf and issued reports recommending single audits.

The Act represents a major reform in the intergovernmental audit process which GAO strongly supports. The traditional Federal approach to auditing financial assistance has been one of after-the-fact detection of noncompliance through the testing of numerous transactions for an individual grant or a number of grants. The single audit approach concentrates on whether internal controls of the entity being audited are in place and functioning to help ensure compliance with Federal laws and regulations. This approach is supplemented by transaction and compliance testing based on the degree of reliance the auditor can place on the internal control system. The single audit approach

also provides an improved audit base for performing additional selected audits such as those concerning detailed compliance issues, economy and efficiency, or program results.

Each audit encompasses the entire financial operations of each applicable government to determine and report whether--

(1) the financial statements of the government present fairly its financial position and the results of its financial operations in accordance with generally accepted accounting principles, and whether the government has complied with laws and regulations that may have a material effect upon the financial statements;

(2) the government has internal control systems to provide reasonable assurance that it is managing Federal financial assistance programs in compliance with applicable laws and regulations; and

(3) the government has complied with laws and regulations that may have a material effect upon each major Federal assistance program.

The legislation applies only to State, local, or Indian tribal governments. Nonprofit organizations are not included in the Act. The effective date of the Act starts with fiscal years which begin after December 31, 1984. Also, audit requirements vary depending on the amount of Federal dollars involved.

The passage of the Act is an excellent example of what can be accomplished through intergovernmental cooperation. If implementation is to be effective, a coordinated and cooperative effort on the part of all parties must be continued. (W. A. Broadus, 275-9425, or J. Comtois, 275-9355)

4. Conceptual Framework for Improving Government Financial Management

In March 1985, the General Accounting Office issued a two volume report entitled Managing the Cost of Government: Building an Effective Financial Management Structure. This report is the result of a major effort to develop a conceptual framework for improving government financial management.

Volume I of the report discusses the major issues the government must face in developing a modern structure to manage its finances. This volume explains why a major overhaul of the financial structure is needed, and describes the scope of reform GAO believes should be undertaken.

Volume II describes the conceptual framework that could guide any reform initiative to deal with the current problems of the financial process and systems. This more detailed volume

describes proposed financial management processes, automated system concepts, and a possible implementation strategy.

The report was prepared by a task force the Comptroller General assembled to study the existing government financial management environment and propose solutions to identified problems. The report is intended to initiate and stimulate discussion of government financial management issues. The concepts proposed in the report are not assumed to be final or complete answers. They are meant to encourage dialogue and consensus on the types of reforms needed and how they can best be accomplished. (John R. Cherbini, 275-9487)

5. GAO Fraud Hotline

A GAO study completed during 1984 showed that for a 5-year investment of $3.4 million for salaries, toll-free phone lines, and overhead, GAO's fraud hotline has returned a "dividend" of $20 million in identified misspent Federal funds and projected savings of another $24 million. A report (GAO/AFMD-84-70, September 25, 1984) to Senator Jim Sasser summarizes the allegations which have been referred to 27 agencies, with a statistical analysis of the kinds of fraud, waste, and abuse which have occurred and the parties involved.

Senator Sasser was instrumental in establishing the toll-free nationwide phone number (800) 424-5454, or 633-6987 in Washington. Citizens can use the hotline to make anonymous specific allegations of waste, fraud, or misuse of Federal funds. The Senator became interested in the problem after holding hearings on a GAO report, Federal Agencies Can and Should Do More to Combat Fraud in Government Programs (GGD-78-62, September 19, 1978), which found that the exact amount of fraud, waste, and abuse was difficult to show but was definitely a serious problem.

The hotline has received over 53,000 calls in its 5 years of operation. After screening the calls, the hotline staff referred over 10,600 allegations to agency inspectors general or other investigative units for further investigation. About 1,100 allegations were substantiated. In 398 other cases, the allegations were not substantiated, but actions were taken to prevent or minimize the possibility of an improper activity from occurring in the future. The remaining 42,000 calls did not warrant investigation for various reasons, such as Federal funds not being involved.

Although allegations involved funds of all executive and other Federal agencies, over half of the allegations involved four agencies--the Social Security Administration, Department of Defense, Internal Revenue Service, and Department of Health and Human Services. (Gary Carbone, 275-9342)

6. Implementation of the Federal Managers' Financial Integrity Act

The Congress enacted the Federal Managers' Financial Integrity Act of 1982 in response to continuing disclosure of waste, loss, unauthorized use, and misappropriation of funds or assets across a wide spectrum of government operations. The goal of this legislation is to help reduce fraud, waste, and abuse, as well as to enhance management of Federal Government operations through improved internal control and accounting systems.

Ensuring successful implementation of the Act is one of GAO's priorities. As a result, GAO comprehensively reviewed the progress and problems in implementing the Act at 22 departments and agencies which account for over 95 percent of all Federal expenditures. GAO's first-year review concentrated on agency efforts to establish a process to implement the act; the second-year review is focusing more on agency actions to address the weaknesses identified, and on the accuracy and completeness of agency reports to the Congress.

GAO issued a summary report to the Congress on the first-year review (GAO/OCG-84-3, August 24, 1984). GAO reported that, in their first annual statements, virtually every major agency disclosed material weaknesses in internal controls and accounting systems which cover the spectrum of government functions and programs. Together, the reported weaknesses demonstrate that poor internal controls and ineffective accounting systems, involving billions of dollars, represent a serious problem in the Federal Government. Many of the material weaknesses identified in the agencies' first-year reports are long-standing and have been the subject of prior GAO and inspector general reports. As agencies continue to implement and perfect their evaluation processes, additional weaknesses will be identified for corrective action.

While progress occurred in the first year, a number of problems existed with agencies' implementation of the Act--problems that one could expect in the implementation of a new program. GAO made many suggestions to help correct problems with individual agency implementation efforts. Although much of the work in implementing the Act was accomplished, agencies need to develop plans to correct the weaknesses identified by the review process. (John Simonette or Jeffrey Steinhoff, 275-9490)

7. Agency Management Reviews

GAO is performing reviews of overall management at the department or agency level. The primary objective of these reviews is to assist chief executives to better manage their agencies and deal with complex issues relating to their overall missions. The reviews are designed to provide a top-down overview of the efficiency, effectiveness, and economy of the management of the department or agency. Specific functional areas addressed include:

--general management (policy and planning),
--productivity,
--audits, reviews, and evaluations,
--information resources,
--financial management,
--procurement, and
--personnel.

In reviewing financial management, GAO is focusing on (1) agency mission/program, (2) budget, (3) accounting and financial management systems, and (4) constraints--for example hiring/staffing ceilings. As part of the review, GAO expects to build on the Federal Managers' Financial Integrity Act work done by the agency, such as vulnerability assessments. At the completion of the review, GAO expects to conclude whether the agency's financial management system is providing timely, appropriate, and accurate information to top management.

GAO has completed one review of the Department of Housing and Urban Development (GAO/RCED-84-9, January 10, 1984). Several recommendations were made to the Secretary that should improve the agency's financial management systems in both the budgeting and accounting processes. Reviews are currently in progress at Defense Logistics Agency, Department of Labor, Department of Justice, and Department of Transportation. (John Simonette or Jeffrey Steinhoff, 275-9490)

8. New Guidance for Accounting and Internal Control Reviews

In September 1984, GAO released an exposure draft of the Control and Risk Evaluation (CARE)-based audit methodology. This new manual is intended to help GAO auditors, inspector general staffs, and others conduct the reviews of agency internal control and accounting systems required by the Federal Managers' Financial Integrity Act. It will also be used by GAO in carrying out general management studies of Federal departments and agencies.

CARE provides a flexible approach for identifying an agency's accounting and financial management systems, evaluating the adequacy of the systems' controls, and determining whether the agency's accounting system is in compliance with the Comptroller General's principles and standards and other requirements. It is adaptable to any organizational level--an entire agency, a major component, an operational unit, or an individual system.

A key feature of the methodology is its emphasis on risk assessment, which greatly optimizes audit staff effectiveness. The methodology is organized into four segments: general risk analysis, transaction flow review, compliance testing, and substantive testing. This methodology is flexible. Work performed in each succeeding segment is based upon the results of the preceeding one, and requires the use of professional judgment. (Virginia B. Robinson, 275-9513)

9. Pilot Tests of CARE Methodology

GAO pilot tested the new audit methodology this year in a study of the financial management structure of the Department of Health and Human Services (HHS). The report (GAO/AFMD-84-15, April 9, 1984) described the 81 different systems in HHS which are used to develop annual budget requests; control appropriated funds and other resources; authorize the use of funds and other resources; capture, record, process, summarize, and report all financial information related to the execution of budget authority. The report included observations on the design and operation of the system, pointing out internal control strengths and weaknesses, and comments on the overlap between HHS' financial management and other automated management information systems. A second review using the draft methodology has been completed at the Veteran's Administration. (Ernst F. Stockel, 275-9481)

10. Federal Government Reporting Study

GAO and Canada's Office of the Auditor General (OAG) are jointly conducting an in-depth study of the needs of users of Federal Government financial reports. The study, which is expected to be completed in the fall of 1985, is part of an effort to advise the executive branch and legislators on ways to improve financial reporting in the Federal sector, particularly with respect to summary financial reports. The project, entitled the "Federal Government Reporting Study" (FGRS), is the first of its kind to be undertaken jointly by the two countries. It is also the first North American study in which much of the research is being performed by users who are not accountants.

The objectives of the FGRS are (1) to identify and describe who is trying to understand what, and why, about the Federal Government; and (2) to subsequently define criteria for preparing summary financial reports that meet as many of the information needs of users as appropriate. The six categories of users identified for the study are: legislators; media, citizens, and special interest groups; government planners and managers; macroeconomists and central bankers; corporate sector users; and lenders and their advisors.

The research teams in each country are undertaking the study in different, though complementary, ways. The key difference is that in Canada the research effort is being led by expert users assisted by accountants, whereas in the United States the effort is led by accountants assisted by expert users. Throughout this work, the research results in both countries will be constantly exchanged.

The entire effort in both countries is being coordinated by an international core group jointly led by Bruce Michelson, Group Director of Accounting Policy, in the GAO's Accounting and Financial Management Division (AFMD) and Lyle K. Osland, Assistant

Auditor General from Canada. Both U.S. Comptroller General Charles A. Bowsher and Canadian Auditor General Kenneth M. Dye are taking an active interest in the project. They are being advised by an outside committee composed of senior experts in accounting, economics, and government finance from both the United States and Canada. (Bruce Michelson, 275-9423)

E. DEPARTMENT OF THE TREASURY

1. Cash Management Initiatives

a. Agency Cash Management Reviews. The Financial Management Service, Cash Management Division continued its lead role for the Cash Management portion of Reform '88 Cost Reduction initiatives. Interest savings for FY 1984 as of December 31 were estimated at $332 million. This Division serves in a consulting capacity, working closely with Federal agencies in reviewing financial operations and in identifying those areas where opportunities exist to improve cash management. It began a series of onsite cash management reviews to help program agencies evaluate their cash management practices. Through these reviews, opportunities for improvement are identified and initiatives are developed which will be incorporated into agency's Reform '88 cash management actions plans. (Fernando Bren, 634-5700)

b. Implementation of the Deficit Reduction Act. The Deficit Reduction Act was enacted in 1984 to make changes to tax laws and other management improvements to reduce the deficit. A portion of this Act entitled, "Collection and Deposit of Payments to Executive Agencies" (Section 2652), gives the Secretary of the Treasury the authority to prescribe the timing and the methods by which agencies will collect and deposit money to the Treasury, and to impose charges for noncompliance in the amount determined to be the loss to the general fund. Monies in the fund will be available without fiscal year limitations for the payment of expenses incurred in developing and carrying out improved methods for collections and deposits.

Several governmentwide task forces were established by Treasury to develop regulations and procedures to implement the Act. The task force has developed procedures for monitoring agency cash management compliance with the Act, designed procedures for payment applications in and out of the fund, and revised the Treasury Financial Manual (I TFM Chapter 6-8000) to incorporate the cash mangement requirements of the Act. (Fernando Bren, 634-5700)

c. Federal/State Equity Program. During 1984, State and Federal Governments, began a joint cash management initiative to pilot a new funding technique for financing Federal grant programs to States. The pilot project tested the viability of States paying interest to the Federal Government from the day the funds are received by the States until the day the States' checks clear their banks, and for the Federal Government paying interest to

States when the States use their money prior to the receipt of Federal funds. The objective is to achieve an equitable, uniform, and efficient system of intergovernmental exchange of funds in compliance with statutory and regulatory requirements.

Pilot tests were conducted in four States: Virginia, California, Indiana, and Wisconsin. Each pilot covered a six-month period, with the last one ending in October, 1984. Forty-seven Federal assistance programs, or approximately 80 percent of all grant dollars allocated to State and local governments were represented to provide a solid foundation for the pilots' evaluation.

The pilot States, Treasury, the Federal agencies whose programs were tested in the pilots, and an independent third party will evaluate the results of the pilots. After the overall conclusions are analyzed, a table of available funding techniques for the State-administered, Federally funded grant programs will be developed, and all States will be given the option to choose the funding technique best suited to meet their specific needs. (Katherine Payne, 634-5704)

d. Direct Deposit/Electronic Funds Transfer (DD/EFT). During 1984, the Payroll Deduction Facilitation Act was passed which eliminated the impediment to making allotment payments by Direct Deposit/Electronic Funds Transfer (DD/EFT). It is estimated that the total universe of allotment payments now eligible for DD/EFT is approximately 107 million payments annually. Treasury has begun a concerted effort to convert these payments to DD/EFT. An operational training program of Direct Deposit was conducted by a teleconference in February 1984. This training was presented at 55 sites with over 8,000 attendees. The goal of the teleconference was to clarify and reeducate financial institutions on DD/EFT Procedures and Policy. The agency conversions to DD/EFT during FY 1984 included: Navy-23 bases; Air Force-40 bases; Army Reserve Payroll; Defense Logistics Agency-16 paysites, and Public Debt-State and local government securities payments. (Loretta Walker, 535-6330)

2. Treasury Governmentwide Accounting Initiatives

a. Change in Reporting of Cashier Advances. Treasury has discontinued the reporting of advances to cashiers as an item classified on Treasury Regional Financial Centers' Statements of Accountability. This change affects those agencies for which Treasury disburses. Under the new procedures, agencies classify cashier advances on their Statements of Transactions as charges to subclassed appropriation or fund accounts, designating cash held outside the Treasury. These procedures streamline and standardize accounting and reporting for advances, place responsibility for amounts advanced clearly with agencies, and impose the discipline of the appropriation process on amounts advanced by agencies.

Treasury Fiscal Requirements Manual Bulletin 84-21 was published with specific instructions on this procedure. (Cindi Round, 566-5428)

b. Accounting and Budgetary Treatment of Monetary Credits. Recent legislation provides that the Department of the Interior issue monetary credits in exchange for land. This credit becomes a negotiable instrument which can then be used to bid on mineral rights or to settle a debt with the Government. Treasury, OMB and GAO agreed that the agency would record an issuance of agency debt and an outlay when the credit was issued. Then when the credit was used by its holder, the agency would record the redemption of the agency debt and a corresponding receipt. The dollar amounts involved are unclear at this point. Under the above mentioned legislation, the credits would amount to approximately $40 million. However, OMB estimated these transactions could be as high as $500 million. Treasury will be studying this issue to determine the extent of these monetary credits and will be surveying agencies for further information on this issue. (Chuck Barackman, 535-9697)

c. Reduction and Simplification of Certain Receipt Accounts. Treasury's Financial Management Service, in conjunction with the OMB, consolidated certain special and trust fund receipt accounts. This consolidation effort significantly reduced the number of accounts used for budgetary and central reporting purposes. It was determined that the excess of these receipt accounts was causing confusion and difficulty in effectively estimating future collections. (Cindi Round, 566-5428)

d. New Format for the Monthly Treasury Statement. The "Monthly Treasury Statement of Receipts and Outlays of the United States Government" has undergone a major format redesign. The October 1984 issue was the first incorporating the redesign changes. Among the changes are inclusion of graphic representations of the Federal Government's monthly budget receipts, outlays, and the deficit/surplus with a historical summary table of the actual figures to allow comparisons at a glance between years. Also, a narrative portion has been added to make the publication more readable and informative to its users. (Richard Smith, 566-5834)

e. Redesign of the Treasury Combined Statement. The Treasury Combined Statement has been redesigned into the United States Government Annual Report and Annual Report Appendix for Fiscal Year 1984. The Annual Report is a 32-page summary level, corporate-like report which includes the government's cash-basis financial position and results of operations through a complete set of financial statements supplemented by narrative overviews and supporting schedules, tables, and graphs. The Annual Report Appendix contains the detailed information in the former Combined

Statement. The result of this presentation change is to better target these publications to meet user's needs. (Arlene Johnson, 566-5834)

f. Accounting Regulations Data Base. Treasury's Financial Management Service has developed the Accounting Regulations Data Base which provides the most current version of accounting regulations issued by Treasury and other Government agencies to users as promptly as possible. In addition, this online system includes the FAST book, an up-to-date listing of all account symbols and titles used throughout the Federal Government and GAO Title 2. Future endeavors include developing online access to Financial Reports which will include the Daily Treasury Statement, the Treasury Bulletin, and other financial reports published. Continuing efforts are being made to incorporate all GAO Titles, OMB Circulars (relating to accounting and financial policy), and Office of Personnel Management's Payroll Regulations into the system. The system will provide several benefits to its users: reduced user research time since all fiscal regulations will be in the same data base and cross-referencing capabilities among regulations will be available; an electronic mail link that allows two-way communication among all participants; a bulletin board of anticipated regulatory revisions; reduced paper flow and faster dissemination of accounting information to agencies; and assurance that users have the most up-to-date accounting regulations.

A user-friendly, menu-prompt system to allow easy access to the data base by all users is currently being developed. This new system will allow users to access the complete data base with little training on the system. (William Edwards, 566-9419)

g. Transfer of Imprest Fund Accountability. A transfer of Imprest Fund (dollar) accountability from the seven Treasury Regional Financial Centers was completed to all Government agencies. Treasury will continue to retain the authority to designate individual cashiers as limited (cash) disbursing officials since agencies cannot receive blanket delegations of "Cash Held at Personal Risk." The major cash management benefit is derived from the fact that an agency which is administratively responsible for a cashier will now be fiscally accountable for the disbursement, overall authorized amount, and frequency of turnover of the fund associated with the cashier. The monies are charged to the agency's appropriation, not Treasury's, and subject to the agency's established internal controls and audit. Treasury will review any irregularities gleaned from their quarterly reviews, and retains the right to assess the implementation of its policies. (Jack Adams, Bill Needels, or Tom Budd at FTS-926-3305)

h. Federal Agencies' Financial Reports. Treasury is in the process of revising Federal agency financial reporting requirements as a first step towards comprehensive integration of financial reporting to eliminate redundant and/or unnecessary requirements on agencies. The new requirements will incorporate

reporting requirements, standards, and guidelines of OMB and GAO. The basic submission of the requirements will be a revised version of the current SF-220 "Statement of Financial Condition." (James Sturgill, 566-2651)

i. Future Federal Financial Systems. The Systems Committee of the President's Council on Management Improvement through the Department of Treasury is designing a blueprint for creating the Government's financial systems for the 1990's. Assistant Secretaries for Management and equivalent officials are being surveyed throughout the Government to discern their views on where Federal financial systems are and where they should be going. Based on these interviews, basic alternatives will be recommended as well as issues which require resolution to make significant improvements in financial systems. (James Hubbard, 566-6636)

F. OFFICE OF PERSONNEL MANAGEMENT (OPM)

1. Financial Management Training

Many financial management courses have been introduced and conducted during the past year by the Office of Training and Development. Several examples of these courses are highlighted below.

--Microcomputer Training for Auditors and Investigators

In conjunction with the President's Council of Integrity and Efficiency, the Office of Training and Development offered a series of four microcomputer training courses designed to meet specific application requirements of auditors and investigators. The training courses use case studies, drawn from actual audits, to teach auditors and investigators how to use a microcomputer for their audits or investigative reviews. Each program also emphasized the collection of data through telecommunication techniques. Over 350 participants have received this training in Washington, D.C. during the past year. (Tony Manzi, 632-5600)

--OMB Circular A-76 Training

Instructional materials on how to conduct A-76 (use of commercial versus in-house) reviews was published last year. This document included material on policy implementation, performance work statements, management study, and cost comparisons. The materials are used in OPM training courses and have been placed in the Office of Federal Procurement Policy "A-76 Clearinghouse," for use by all agencies. (Bob Grossman, 632-5600)

--Preparing Budget Schedules with Lotus 1-2-3

A budget template to prepare the budget schedules required by OMB Circular A-11, "Preparation and Submission of Budget Estimates" was developed by OPM. Each student attendee may retain a copy of a disk containing the template to use in their work places. (Charles Falvey, 632-5600)

New Courses

Other new courses introduced during the past year included:

--Budget Planning with Microcomputers
--Budget for Revolving Funds, Industrial Funds, and Stock Funds
--Writing Effective Budget Justifications
--Administering Block Grants
--Pricing Strategies for Reimbursable Activities
--Financial Aspects of Contracts and Grants

In addition, OPM also developed a Computer-Base Instruction (CBI) course, Federal Fund Accounting--A Managerial Emphasis. The CBI approach affords managers and supervisors the opportunity to learn at their own pace and convenience. (Ed Murphy, 632-5600)

2. Financial Management Desk Manual

The Office of Training and Development completed four desk guides for financial management. The guides are:

- Writing Effective Budget Justifications
- Examining and Certifying Government Payments
- Imprest Fund Desk Guide
- Government Payroll - Recordkeeping and Procedures

These desk guides contain features such as: information mapping, table of contents and index, key word tabs, and work aids to make each an available working document. (Ed Murphy, 632-5600)

3. Regulations for Delinquent Debts

The Debt Collection Act of 1982 provides for the recovery of delinquent debts owed by Federal employees through administrative offset from their salaries. Regulations to implement these provisions were published by the Office of Personnel Management in 1984. The regulations provide for hearings to permit employees to show cause why the debt should not be recovered by salary offset. If they fail to do so, offset takes place. (Patricia Rochester, 632-4634)

CHAPTER II

AGENCY INITIATIVES TO IMPROVE FINANCIAL MANAGEMENT

INTRODUCTION

Agency submissions of information on improvements to agency financial management practices and systems reflect significant achievements and major undertakings. Overall, the agency reports reflect a strong commitment to make improvements in financial management, especially through the use of new technology.

Descriptions of the more significant or unique management actions in areas of accounting procedures and systems, auditing, budgeting, cash management, payroll and personnel, productivity and other systems are presented in the following sections. Publication of all reported improvements is impractical. However, the JFMIP staff, upon request, will provide assistance to agencies when requested in identifying additional financial management improvement activities.

Agency contact persons and their telephone numbers are provided in parentheses following the project descriptions so that the readers can obtain additional information about any of the improvement activities. The area code for the telephone numbers is "202" unless otherwise designated.

A. ACCOUNTING PROCEDURES AND SYSTEMS

Activities in this area cover agencies' interest in providing more accurate, useful, and timely accounting information to management for increasing program economy and efficiency. Generally, procedures and systems are being reinforced and upgraded with improved data collection and data integration. A sampling of improvement activities accomplished and underway are presented in the following paragraphs.

1. Accounting Improvements Accomplished

The MINERALS MANAGEMENT SERVICE, Department of Interior has implemented a new financial management system. The system is an interactive, state-of-the-art design. Budget and accounting source data is entered only once at the point of origin. Subsidiary and control ledgers and detail and summary financial plans are automatically maintained. Maximum use is made of automatic computer-to-computer information transfer for budget and accounting data entry and for financial activity reporting. This system was implemented on October 1, 1984.

Benefits: The financial management system offers the following major benefits to the Mineral Management Service.

--reduced data entry requirements;

--capability to account for funds which have been committed but not yet obligated;

--capability to provide ad hoc information from the system's data base in the required format;

--capability to interface with other systems (e.g., procurement, payroll);

--capability to support decentralized input of accounting transactions; and

--expandability in the future to support additional subsystems and increased data bases. (Stephen Tisinger, 435-6463 or FTS 933-6463)

The DEPARTMENT OF JUSTICE has established automated billing procedures for approximately 50 percent of the Working Capital Fund (WCF) income-producing activities by using a personal computer. The new procedures allow the WCF activities to prepare initial billings in a format consistent with accounting system input requirements and eliminate hours of manual billing preparation previously required by the billing organizations and the budget staff. Because the new procedures have expedited the billing process, the monthly cash position of the WCF has been significantly improved. Efforts are in progress to automate all WCF billings and are expected to be completed by the end of FY 1985. (Stephen Colgate, 633-3055)

The DEPARTMENT OF AGRICULTURE'S Central Accounting System (CAS) was expanded to include six additional agencies: Agricultural Research Service, Cooperative State Research Service, Extension Service, National Agricultural Library, Office of Grants and Program Systems, and Federal Crop Insurance Corporation.

This effort resulted in a savings of 17 staff years for the Agricultural Research Service alone. For all agencies, the CAS will eliminate many manual functions, decrease personnel requirements, and increase the accuracy and timeliness of accounting records.

During FY 1984, Agriculture implemented a Supply/Property Inventory System (SPIN) for the Office of Operations to control excess property. SPIN provides online update, inquiry, and reporting, as well as automated inventory control and tracking. It allows for improved utilization of excess property and reduction of new purchase of inventory.

In FY 1984, the Equipment Management Information System (EMIS) was expanded to include most of Agriculture's agencies. EMIS tracks and provides data on the 40,000 Agriculture owned or leased vehicles for use in management decisionmaking. The EMIS

master file contains all data elements needed for internal and external reporting. Internal reports are tailored to each agency's needs. The system uses telecommunications for input and selected outputs. For 90 percent of Agriculture's vehicle fleet, it is a virtually paperless system. EMIS is integrated with the CAS, and handles depreciation and expense data. (Larry Wilson, 447-8345)

The DEPARTMENT OF EDUCATION completed the consolidation and transfer of its administrative payment processing functions to the National Finance Center (NFC), operated by the Department of Agriculture. Education headquarters administrative payment processing offices were transferred to the NFC in November 1983. Education's ten regional offices, which were previously serviced by the Department of Health and Human Services, were transferred during the latter part of calendar year 1984.

A separate accounting office operated by the National Institute of Education (NIE) was closed in August 1984 and its functions transferred to Education's Financial Management Service and Agriculture's NFC. This completed the consolidation of Education's accounting operations. Both of these initiatives--the consolidation of payment activities and the establishment of the cross-servicing agreement with Agriculture--were part of the President's Reform '88 initiatives.

The transfer of the regional accounting functions to NFC enabled personnel in Agriculture and NIE, and staff on detail to the Department of Health and Human Services, to be reassigned to higher priority tasks. Also, Education's processing cost per voucher was significantly reduced. (Molly Hockman, 245-8360)

The ENVIRONMENTAL PROTECTION AGENCY is using a tape disbursement process for travel advances and vouchers processed on the agency's Travel Management System. This has saved the typing of disbursement schedules and simplified the Treasury balancing procedures. In a related action, the Comptroller's office revised the Travel Advance Subsystem to provide for more timely and reliable travel advance information which improves the overall administration and management travel advance resources. (Robert Daisey, 382-5107)

The ENVIRONMENTAL PROTECTION AGENCY also developed a system that allows the agency's accounting offices to enter expenditure information into a central data base via remote terminals. The system prompts the operator, and performs online edits to verify that appropriation symbols are valid and all column totals are correct. Once the data is loaded, a copy of the report is printed in the field accounting office and at headquarters. The data is consolidated automatically and various management reports are generated. The automated system has allowed the agency's fourteen finance offices to dispense with time-consuming costly paper work processing. The system enhances accuracy by reducing the chance for errors and timing differences in data input. Data is

available instantaneously, and the statement of differences has been reduced. In addition, the paperless-based system provides consolidated agency disbursement information by the third workday following month-end, enabling managers to obtain needed information much faster. (Doug Barrett, 382-5144)

The FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA) has signed Interagency Agreements to provide the Federal Labor Relations Authority (FLRA) and the Selective Service System financial system support. Under the President's Reform '88 initiative, small sized agencies have been encouraged by the Office of Management and Budget (OMB) to obtain automated financial management services from agencies with more efficient financial systems.

FEMA financial system services being provided include:

--An integrated financial system with fund controls at all levels, if desired;

--A double-entry accounting batch system;

--An online travel payment processing system, including automated payments, and an online system to comply with the Prompt Payment Act;

--Automated internal and external financial reports, including bulk transfer of SF-224 data through a computer-to-computer line; and

--Automated conversion of payroll data from the agency payroll system into the accounting system.

FLRA has been using FEMA's financial system since October 1, 1984. A report format is being developed to accommodate the unique requirements of FLRA. Discussions on full conversion procedures for Selective Service's accounting data is basically complete. The only major item pending is software development for the payroll translation from system-to-system. Selective Service is scheduled to begin operation on FEMA's financial system during 1985. (John Hoban, 646-3708)

The HEALTH CARE FINANCING ADMINISTRATION, Department of Health and Human Services, has implemented an interactive, online automated payment system. This system replaces many functions previously performed on a manual basis. The payment system tracks and controls invoices, provides the capability to record and verify disbursement data, and create payment tapes to Treasury. For Treasury Financial Communication System payments, the system creates a listing, and a covering SF-1166 is attached to the listing for submission to Treasury. Additionally, the system incorporates both Cash Management and Prompt Payment directives as an integral part of its design. The system also warehouses payments by payment due date for cash management purposes, assigns schedule numbers, computes the cost-effectiveness of taking

discounts, computes interest penalty amounts for late payments, uses bar code technology to assign control numbers to invoices for tracking purposes, and systematically creates transactions to update the general ledger for discounts and interest penalties. (Thomas Greene, 987-4830)

The DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) implemented its Administrative Accounting System, an online fund control, general ledger and accounts payable system on the basis of a commercial accounting package. The new system provides real time control over commitments, obligations, and expenditures for all HUD field offices and headquarters. The system provides automated SF-224 reports, Treasury disbursement tapes, and has a flexible reporting subsystem to allow for automation of all needed management reports. The system was implemented October 1, 1984, for fiscal year 1985 transactions. Cost savings over the previous partially automated system, are estimated at 10 staff years per year. The primary benefit, however, is improved management control and reporting. (George Farnsworth, 755-5115)

The DEPARTMENT OF LABOR implemented its Automated Procurement and Payment System in regional and national office agencies. The system can produce procurement source documents on terminals. A record of each procurement is then stored in a central file for use by personnel in the accounting, audit, and payment functions.

Accounting transactions are subsequently generated from the stored procurement records for direct entry to the Department's Integrated Accounting System. Vendor bills when received are key entered into the procurement record and warehoused until due. Discounts are taken and net payments are automatically scheduled by the system. Multiple vendor bills are accumulated into single check payments and penalty payments identified, calculated, and added to the vendor payments.

The accounting transactions to obligate the procurement and to record the payments are generated by the system for direct entry to the accounting system. The system will automatically reverse the obligation entries when the payments are recorded. Considerable staff time savings are expected in the accounting, audit, and payment functions based upon our experiences with the operating system in the pilot environment. (Thomas LaBudie, 523-8184)

The LEWIS RESEARCH CENTER, National Aeronautics and Space Administration has transformed the existing real property record files onto an automated real property system. The system will capture yearly transactions such as acquisitions, disposals, new construction, and extensions and expansion of existing facilities. The system will be able to generate a report summarizing the daily real property activities plus any resulting increase or decrease in real property accounts. In addition, required yearly activity reports and the annual real property reports will be generated by

the system. The system will provide for better accountability and reporting of Center Real Property. (Helen Monroe, FTS 294-6947)

NATIONAL SCIENCE FOUNDATION'S Financial Management system was converted to a new computer configuration using Hewlett Packard equipment and IBM Personal Computers. The microcomputers are used as terminals to input and display data stored in the mainframes. These microcomputers also use spreadsheets and word processing functions. The new system, which was developed in-house, consolidated three data files into one and greatly improved online accessibility to information. The major features of the system includes:

--fully automated general ledger,

--online updating and accessing of fund availability data by program element,

--online status of obligations,

--online history file access and code maintenance capability, and

--table driven transaction code system specifying requirements for all data elements and general ledger account selection. (Albert Mullbauer, 357-7757)

The NATIONAL TRANSPORTATION SAFETY BOARD (NTSB) enhanced its data base management accounting system with the establishment of online interactive edit checks on data input and the automation of external financial reports required by OMB and the Department of the Treasury. The system incorporates state-of-the-art technology, including the use of a data base management system, online interactive data entry screens, comprehensive online edit checks, system generated internal/external financial reports, and an easy-to-use report writer utility.

This system has been recognized by OMB as capable of providing time-sharing services to other small agenices, thereby reducing the overall number of accounting systems in the Federal Government. The NTSB currently has reimbursable service agreements with the International Trade Administration and more recently, has obtained an additional agreement to begin servicing the African Development Foundation in February 1985. (Dwight Foster, 382-6704)

The UNITED STATES MINT, Department of the Treasury, converted the cost accounting reporting requirements for domestic coinage at the Philadelphia, West Point, and Denver Mint facilities from a semi-process cost system to a true process cost system. Standard reporting formats were developed and are being used to collect, summarize, and compute total production and unit costs as follows:

--costs are charged to work-in-process accounts.

--production as well as cost assigned to production units are transferred from one cost center to the next and to finished goods;

--production in process at the end of a cost period is restated in terms of completed units;

--cost incurred during a period are matched with units produced during the same period. (Greg Hanson, 376-0415)

2. Accounting Improvements Underway

The DEPARTMENT OF ENERGY is in the process of developing and implementing a standardized accounting processing system for use throughout the Department's nine operations offices. Energy's San Francisco field office reporting system, with modifications to accommodate additional accounting requirements common to a significant number of operations offices, was selected to serve as the core for the standardized system. Modifications are now nearly complete, hardware placement has been finalized, and implementation is in progress. System implementation will occur on a phased schedule with a target date of December 31, 1985, for the last office to complete conversion to the new system.

The standardized system utilizes a network data base management system allowing for the maintenance of a single copy of data. Changes to the standard system software will be controlled centrally through Energy's headquarters. Actual system operations will be performed decentrally by the individual operations offices. Operations offices will report monthly summary level financial information to Energy's headquarters Financial Information System for consolidation and reporting to Treasury and OMB.

While no significant long-run cost savings have been identified, advantages and benefits include the capability to make systems enhancements, modernizations, and replacements in a controlled, economical environment; greater opportunity to focus on and deal with internal control problems; and facilitation of the General Accounting Office (GAO) system approval process. (David A. Tyler, (301) 353-2595 or FTS 233-2595)

The DEPARTMENT OF JUSTICE initiated a systems development project to redesign its financial and administrative management information systems. The project, Financial and Administrative Management Information System, (FAMIS) will integrate the budget, accounting, property, and procurement systems which support the offices, boards, divisions, and U.S. Marshals Service. It will also be integrated with the financial management system of the Immigration and Naturalization Service, the Federal Prison System, Federal Bureau of Investigation, Office of Justice Programs, and Drug Enforcement Administration to produce a departmentwide financial management system.

The FAMIS project will provide a prototype for departmentwide use. Representatives of each of the Department of Justice's bureaus are members of the FAMIS User Evaluation group. This will enable the department to ensure an agency-wide prototype. It also allows the bureau's to move forward with interim-upgrades to their financial management systems.

The project is utilizing some of the most current strategies in software development, most notable a Computer Assisted Software Engineering System (CASE). The CASE will provide a much higher level of project management and control than is possible by using tranditional methodologies and project management systems. (Kamal Rahal, 633-5538)

The FEDERAL BUREAU OF INVESTIGATION, Department of Justice implemented accounting software that includes general ledger, budget control, and accounts payable modules. The system is designed to perform accounting functions and to provide reporting capabilities which will satisfy external requirements as well as provide reports for internal management use and analysis. This effort is aimed at providing a total integrated budget, procurement, and accounting system which will support investigative requirements with the necessary administrative and management data to insure the optimum use of the Bureau's resources. The tentative completion date for the total integrated system is January 1, 1986. (Kamal Rahal, 633-5538)

The GENERAL SERVICES ADMINISTRATION is updating and improving its accounting policy and procedures manual based on standards of the private sector as well as those in the revised GAO Policy and Procedures Manual for Guidance of Federal Agencies. GAO recently issued the revised Title 2, Accounting Principles and Standards, which bring the Federal Government into compatibility with conventions used in the private sector and incorporated the advances in accounting theory and practice into Federal financial systems. Regulatory accounting requirements will be blended together, where appropriate, with the accepted accounting principles of the private sector. Implementation is scheduled for April 1985. (Larry Eisenhart, 566-0560)

The NUCLEAR REGULATORY COMMISSION (NRC) is developing an integrated financial management system for operation on a minicomputer. All accounting and budget execution data will be input over terminals and capabilities will be provided for online inquiry and report generation (including internal and external reports to management, Treasury, etc.). The new system should a) improve accuracy and timeliness of collecting accounting data, b) minimize the need for manual ledgers, c) improve reporting capabilities by improving report content and format and timeliness of reports, d) facilitate internal control over data and source documents, and e) provide for security and privacy of accounting data. NRC expects cost savings to exceed $70,000 annually. (Angelo S. Puglise, 492-7535)

The DEPARTMENT OF HEALTH AND HUMAN SERVICES is continuing to develop and implement the Uniform Financial and Administrative Integrated Management System (FAIMS). FAIMS will be implemented through the use of a set of proprietary software packages consisting of a data base management system together with integrated application modules. When implemented, FAIMS will be a single fully integrated system which will operate from three computer sites throughout the Department. FAIMS will use a common use integrated data base to reduce multiple entry of common data and eliminate redundancies in the system. The application software is integrated through the data base management system with a common data dictionary. (Sam George, 245-6711)

The NATIONAL CREDIT UNION ADMINISTRATION (NCUA) is updating its fee collection system to provide online capability for managers to monitor, control, and edit daily transactions. The system, which will be part of NCUA's integrated data base, will generate reports for cash reconciliation, over/underpayments, and delinquent accounts. Implementation will be completed by the end of January 1985, when the fees from credit unions are due. The cost savings and other benefits realized will be through the elimination of manually-coded corrections, adjustments and exception input, and more useful reports, as well as, greatly enhance turnaround time. (Herb Yolles or Ron Aaron, 357-1025)

The TENNESSEE VALLEY AUTHORITY (TVA) has initiated efforts to pay vendors and employees by electronic funds transfers. The primary objective is to demonstrate that electronic payments can be made more safely and efficiently than check payments made through the mail system. The agency had determined that savings may be realized through reduced administrative costs and check processing as a result of electronic payments. Some payments will soon be made to vendors through a pilot program using Corporate Trade Payments. Following successful completion of a pilot program, payments will be made to other vendors with whom TVA conducts a large dollar amount of business and/or a large number of transactions.

TVA is converting its present Composite Check Program to the Direct Deposit/Electronic Funds Transfer (DD/EFT) Program and will thereby make salary payments electronically.

Both initiatives will use the Automated Clearinghouse (ACH) system of the Federal Reserve Banks. TVA will submit payment data to the ACH, and distribution will be made to the financial organizations involved. Settlement will be effected by processing a debit voucher through the U.S. Treasury. (Kathy J. Branner, FTS 856-8133)

The DEPARTMENT OF TRANSPORTATION is in the process of developing the Departmental Accounting and Financial Information System (DAFIS). The DAFIS, which will replace various systems of all Transportation operating administrations and the Office of the Secretary, will be a modern, cost-effective integrated system. It

will provide for substantial savings in maintenance costs of one centralized system versus several systems currently used. Transportation is the lead agency for the development of a governmentwide model accounting and financial system for Federal domestic agencies. Therefore, the DAFIS will be the prototype for the governmentwide system.

The in-house development effort to date has mainly been concerned with defining the context of the DAFIS. The Department will use contractual services to do most of the work, and DAFIS will be implemented using vendor maintained and commercially marketed packages to the maximum practical extent. A contractor will be acquired during fiscal year 1985 to design and implement the system.

Implementation of DAFIS will occur on a phased-in basis by administration with the first administration targeted for September 1986. Transportation-wide implementation is targeted for September 1989. (George Henderson, 426-1306)

The BUREAU OF PUBLIC DEBT, Department of the Treasury, began a major redesign of its current administrative accounting system in January 1983. An existing Federal administrative accounting system operated by the Federal Home Loan Bank Board has been targeted as the basis for the new Bureau's Administrative Accounting System. Installation and modification of this system for the Bureau are planned for FY 1985, and the new system should be operational by the spring of 1985.

The new system will provide online full allotment accounting by tracking commitments, obligations, and disbursements against budgeted targets. It will provide full receivable and payable accounting, cost accounting, meaningful and timely workload/productivity information, and improved cash management practices. It will interface with Treasury's uniform management system and the Bureau's personal property system. The new system's design will correct the existing material weaknesses in our present accounting system. (Taylor E. Jones, III, 634-5228)

The INTERNAL REVENUE SERVICE, Department of the Treasury, is modernizing its financial management system. The Automated Financial System (AFS) will incorporate state-of-the-art office automation technology to improve both the timeliness and quality of financial information available. The new system will include both procedural and automation enhancements which integrate budget preparation, plan execution, accounting, and reporting into one system.

A contract has been awarded to ascertain the Service's needs and then design a modern financial management system which meets those needs. During 1984, the consultant documented the present system to serve as a baseline, and ascertained the Service's

functional and information requirements. After the conceptual framework for the future system is completed, the AFS conceptual design will be developed.

As an interim step, to provide some of the benefits of AFS quickly, a microcomputer system is being developed in the Finance Division and the regional fiscal management offices. Microcomputers and financial analysis software have been acquired. Several application programs have been developed and implemented for servicewide use, and others are in process. Many local applications are also in place and an extensive training program is underway. (Barbara Edler, 566-6851)

The DEPARTMENT OF THE ARMY continues with the major development program underway to redesign its accounting system. The goal is to achieve a highly automated financial management system which maintains adequate internal controls and better serves the Army's needs. Major projects include new department and installation level accounting systems as well as pay systems for military and civilian personnel. Using structured analysis and design methodologies, as well as standardized data elements and data base design, the new systems will be highly automated and easy to change.

In addition, a minicomputer assisted source data conversion system for input of military pay change data by field finance offices has been completed, and a system is being developed to improve military pay and management information for the U.S. Army Reserve. (Jim Taras, (317) 542-3576)

B. AUDITING

Agencies reported initiatives to expand the use of computers for improving auditing procedures and practices and for providing better internal management and control. A sample of these accomplishments are highlighted below.

1. Audit Improvements Accomplished

The PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY (PCIE) was established by Executive Order on March 26, 1981, to strengthen the Inspector General program and to oversee the administrative efforts to reduce fraud, waste, and abuse in Federal programs and operations. The PCIE semi-annual reports issued in March and September 1984 showed that the Inspectors General collectively were responsible for billions of dollars in direct savings and improved use of funds during the past three and one-half years. Most of these savings were attributed to audit recommendations for reducing negotiated prices of major purchases and improving debt collection.

During the last year, the Council promoted the role of the Inspectors General as partners with agency management in identifying and eliminating potential program and system vulnerabilities

before serious problems develop. The committees established by the Council which assist in this preventive focus include: Computer, Training, Prevention, Communications/Awareness, Single Audit, Project Selection, Accounting and Auditing Standards, Legislative, and Performance Evaluation. The following highlights some of the activities of these committees.

The Computer Committee established a microcomputer training task force in June 1983 to develop and implement microcomputer training courses for Federal auditors and investigators. The task force completed its goal during this reporting period. Four courses on applying microcomputer technology to Federal audits and investigations were designed and developed, and are presently being taught at six Federal training centers nationwide. The courses are designed for hands-on training and provide each student with the exclusive use of a microcomputer.

The Computer Committee contracted for an independent evaluation of the effectiveness of using microcomputers in the Inpector General audits and investigations. The survey included Inspectors General, first-line supervisors, field auditors, and investigators. It concluded that Inspector General investments in microcomputers and training are quickly recoverable. Over 30 percent of the reviews would not have been conducted without microcomputer capability. For 26 percent of the products generated by the use of a microcomputer, no comparable product could have been generated without that technology. Further, 44 percent of the products were rated better because of the use and availability of microcomputers.

The PCIE Training Committee is responsible for identifying, developing, and implementing training programs for Inspector General personnel.

Major Committee accomplishments during this reporting period were:

--Developing and presenting half-day seminars for Inspector General executives, and planning for the FY 1985 series, which began in October.

--Sponsoring a Federal Manager's Accountability Seminar, a seven-week Executive Leadership Program, at the Federal Executive Institute.

--Sponsoring a one-day Computer Security Conference for top Inspector General and agency managers to discuss and learn about emerging issues in computer security and information resources management.

--Completing development of a new Employee Crimes course for investigators. After testing, the course is expected to be incorporated into the curriculum at the Federal Law Enforcement Training Center.

In addition to standing committee work, the PCIE is actively involved in projects that address problems exceeding the capability or jurisdiction of an individual agency. These projects are targeted at specific governmentwide issues identified by Council members. The computer security is one of those projects.

The Computer Security Project, initiated in 1982, provides the PCIE with a perspective on the nature and scope of computer-related fraud and abuse in government agencies and the need for increased expertise in computer auditing and security within the Inspector General community. The project's report, "Computer-Related Fraud and Abuse in Government Agencies," outlined survey findings and made recommendations to increase training and awareness, scrutiny of automated systems controls, and further survey work. As an outgrowth of this report, the project has had or will have the following accomplishments:

--Computer Security Seminar - cosponsored by the Inspector General at the Department of Health and Human Services and the Treasury Assistant Secretary for Electronic Systems and Information Technology, was held in June 1984, with proceedings issued in August 1984.

--Perpetrator Interviews - to uncover first-hand and sometimes overlooked sources of information on fraud cases. To date, twenty-eight perpetrators from the original study and eleven from new cases have been interviewed. A draft report should be issued in early 1985.

--Front-End Electronic Data Processing Systems Review and Security - to improve audit involvement and effectiveness during the design, development, implementation, or major modification of automated information systems by preparing responsibility matrix and critical documentation guide for the entire system life cycle stages. A report of these products and reactions to them by management and Inspectors General will be finished in early 1985. The workgroup also surveyed 18 private sector firms for audit practices during systems development and will issue this report. (Melissa Allen, 395-4960)

The DEFENSE CONTRACT AUDIT AGENCY (DCAA) has assigned an experienced contract auditor to serve as audit and financial advisor to the Chief, Defense Procurement Fraud Unit. This assignment is designed to assist in the efficient operation of the Fraud Unit. The Fraud Unit was established by Defense Secretary, Casper W. Weinberger and former Attorney General William F. Smith within the Criminal Division, Department of Justice, to coordinate significant procurement fraud cases. The Unit's primary objective is criminal investigation and prosecution. Many of these cases involve complex financial and accounting issues. In addition to being staffed by Department of Justice prosecutors, Defense attorneys, and investigators, the DCAA has assigned a headquarters

professional contract auditor to serve as audit and financial advisor to the Chief, Defense Procurement Fraud Unit. Duties include:

--Assisting trial attorneys and investigators by explaining audit recommendations, and obtaining supplemental information as necessary.

--Serving as liaison between Fraud Unit personnel, DCAA auditors and attorneys, and U.S. Attorney's offices.

--Conducting or arranging for special reviews or other analyses to provide unit personnel with the necessary data to make decisions regarding the presence of either systemic or particular problems. (Frank Summers, 274-7775)

The RAILROAD RETIREMENT BOARD has implemented a program to identify overpayments and detect fraud. This program involves computer matching and other activities designed to identify overpayments to beneficiaries and for detecting waste, fraud, and abuse.

An example of the computer matching used includes a match with the State of Illinois intended to identify railroad workers who may have improperly collected unemployment or sickness insurance benefits under the Federal program either while working or while collecting State of Illinois unemployment benefits. To date, more than $50,000 in overpayments and duplicate benefits have been identified. Matches with several other States are being planned for next year.

In fiscal year 1984, another activity under this program was a study to identify alternative ways for monitoring beneficiary eligibility for unemployment insurance programs administered in the field. In cooperation with several district offices, wage checks were conducted using various selection criteria. To date, over $100,000 in overpayments have been identified. Anticipated recommendations in the report include establishing a management information system to capture the needed information to properly manage the program, revising the work measurement standard for wage checks, centralizing certain aspects of the wage check program, and expanding the computer matching program to as many States as possible. (Clayton Nelson, FTS 387-4690)

The AIR FORCE AUDIT AGENCY is enhancing auditor skills through the acquisition of 96 microcomputers. This initiative was developed based on recommendations of the audit subcommittee of the President's Council on Integrity and Efficiency. Auditing skills will be improved through the use of acquired software packages such as electronic spreadsheets, data base management, and word processing. These packages will increase the auditor's ability to abstract, collect, and analyze audit data as well as assist in the presentation of audit results. One anticipated side

benefit will be the overall improvement in automated data processing auditing expertise of the audit staff. Plans call for placing one microcomputer in each of 80 area audit offices with the remainder being utilized by the headquarters staff and the two directorates responsible for management of centrally directed audits. As of December 31, 1984, 26 microcomputers had been received and installed. (John Boddie, 697-9597)

The ARMY AUDIT AGENCY's use of microcomputers and computer programs in audit reviews has demonstrated that the automated applications enhance the manner in which audits are organized, executed, and reported. Specific enhancements realized include development and application of advanced audit techniques; increased audit coverage; production of high quality audit products; identification of potential cost avoidance, fraud, waste, and abuse areas; savings of auditor-days and administrative days; and expansion of microcomputer training base. (Donald Ripp, (512) 221-2151)

The RAILROAD RETIREMENT BOARD extended a 1982 agreement between its audit and data processing bureaus that calls for an audit role in reviewing products associated with a major data base development effort for its retirement claims activities.

In March 1982, internal auditors and the Bureau of Data Processing entered into a formal agreement that calls for the auditors to review and comment on the design and development of computerized systems and applications. This agreement called for the auditors to review and comment on final products put together under the project definition and requirements analysis phases of the systems life cycle. Under this agreement, the auditors are now reviewing these systems' life cycle phases on a routine basis for data base projects. The purpose of these comments is to provide management with the auditors' insight into these areas before new systems or applications are put into operation. This is important because it is much more economical to make design and development changes before systems or applications are put into operation than after they are operational. This years agreement extends the auditors' review efforts through the detailed systems' design phase of the systems' life cycle. (Ronald Hodapp, FTS 387-4553)

2. Auditing Improvements Underway

The AIR FORCE AUDIT AGENCY is developing a training videotape on audit documentation. This videotape will address both Comptroller General and Audit Agency standards, as well as the procedures related to preparing working papers. It will emphasize the correlation between sufficient, competent, and relevant working papers and a fully supported, high quality audit report. The videotape will be shown at the Air Force Entry level Professional Auditor Training School and also will be distributed to the various Audit Agency offices for viewing and reinforcement of on-the-job training in this area. (John Boddie, 697-9597)

C. BUDGETING

Automation continues to be used more extensively each year in budgeting. The ability of today's computers to manipulate large amounts of numerical data accurately and quickly has led to budget productivity improvements.

1. Budget Improvements Accomplished

In May 1984, the AGRICULTURAL RESEARCH SERVICE implemented its Resource Management System which has improved accountability for both personnel and operating resources at the research program level, and has improved the allocation of funds based on program priorities. The system integrates allocation of funds to research projects, position management planning, financial planning, and advance acquisition planning into one planning process. It is used to report resource management decisions by managers, and provides financial data for use by the Administrator in making policy decisions.

Using this process, new policies were established to project and capture annual salary lapse. This additional source of funds allowed funding decisions to be made early in the fiscal year on acquisition of equipment and accomplishment of major and other construction projects. (Larry Wilson, 447-8345)

The KENNEDY SPACE CENTER, National Aeronautics and Space Administration, implemented an automated budgeting system for the Research and Program Management function by integrating various software programs (electronic spreadsheet, textprocessor, and data base management system), and allowing text reports to be integrated with numeric data, multiple file formatting, centralized data base structuring, and batch processing of files. This resulted in a significant increase in productivity by improving the quality, accuracy, and timeliness of information reported, with a substantial reduction in compensation/overtime required. A series of integrated planning models provided complete forecasting of contractor requirements and ad hoc requests for decision support applications, and generated resources status reports two weeks prior to final closeout of accounting data. The most significant cost savings was the reduction in the amount of overtime required by analysts. Other benefits received were enhanced data integrity, automatic audit trail, reduced manual calculations, and redundancy in data entry. (Chris Mortellaro, FTS 823-2093 or Joan Lyons, FTS 823-4477)

The NATIONAL TRANSPORTATION SAFETY BOARD has automated most of its budget execution functions through the use of its mainframe data base management system and through use of microcomputer spreadsheet technologies. Online access to accounting data allows the retrieval of up-to-date financial information through interactive queries or through the use of ad hoc reports written in an easy-to-use data base management language. Reports can include any of some 40 data elements. In addition, numerous

calculated relationships can be made between the data, such as greater than, between, contains, matches, etc. The queried information can be printed in any format desired. All online queries and reports are easily created by financial management staff without computer programmer assistance.

Ad hoc reports provide the basis for agency level financial reports that are set up on electronic spreadsheets to take advantage of "what if" capability. The spreadsheets are designed to roll up data from very detailed sheets, to summary sheets, to a one-page executive summary report. Changes made at the detailed levels are automatically reflected at the summary levels. (Dwight Foster or Don Libera, 382-6704)

The NUCLEAR REGULATORY COMMISSION developed a financial status of funds report on a microprocessor, replacing the manual reporting system. This concise report, produced from data excerpted from the end-of-month accounting and budget reports, features dollars committed and obligated vis-a-vis dollars budgeted in current financial plans. The report detail is broken out by program offices and regional offices, as well as object classes such as salaries and benefits, administrative support, and travel.

A new history table report, developed from the data in this computerized report, records the spending detail for the entire fiscal year. From the history table file, a set of computerized graphics was developed to emphasize and analyze the trends, to check the timeliness of commitments and obligations becoming contracts, and to provide a quick pictorial account of financial status. (Bernice Gordon, 492-9814)

In September 1983, the OFFICE OF PERSONNEL MANAGEMENT implemented a new budget preparation system. Using a microcomputer as a remote terminal, the Budget Division is able to use the system to retrieve, update, and balance data in the budget master files. The ability to update and balance files remotely has improved the timeliness and accuracy of the data, and has provided the opportunity to more comprehensively address the substantive program issues related to the fiscal data. (James Loiselle, 632-4540)

The INTERNAL REVENUE SERVICE (IRS) has completed the implementation of the new process for developing its budget submissions for automatic data processing initiatives and projects. The FY'86 budget submission was developed through this process. As part of its strategic planning process, the IRS develops an information systems plan, which is a comprehensive, detailed listing and description of all automatic data processing initiatives and projects with multi-year (five year horizon) costs and benefits. The listing is periodically updated by adding new initiatives or revising costs and benefits of continuing projects. Projects in the plan are prioritized by the automation policy

board, which consists of top level management. A "snapshot" of the information systems plan becomes the automatic data processing portion of the budget.

A computerized data base for the FY'87 information systems plan is being developed and should be operational in FY'85. This will significantly improve the responsiveness and flexibility of the system. (Joseph Kump, 566-3157)

The HEALTH SERVICES COMMAND, Department of Defense, budget automated data base system was implemented on October 1, 1984. This system fully automated the budget subsystems, which include portions of the command operating budget, transition relocation budget call, monthly obligation plan, resource tracking, funds control, budget execution review, prior years historical data, unfinanced requirements, contract services profile, withhold control, supply unit cost data, and fund stewardship report.

The budget system improved the accuracy and timeliness of budget data provided to both higher headquarters and subordinate activities. The interactive system allows for the online storage of data which can be manipulated through user-friendly software. Two out of thirteen positions in the budget office were eliminated The total system cost to include software was $50,000. The application cost savings is $5,000 in the first year and $55,000 each year thereafter. (Richard A. Mercer, (512) 221-2254)

NATIONAL SECURITY AGENCY resource managers developed procedures for interactive program/budget analyses using a common software package. Using microcomputers as terminal workstations, data from the master program/budget data base is downloaded onto a floppy disk and then converted by a BASIC program into a format that can be directly transferred to a spreadsheet. The benefits derived include reduced error rates for data input, increased capability to respond rapidly to fluctuations, direct graphics production, and analysis of programmatic alternatives without altering the master data base in the mainframe. (James Blazer, (301) 688-7147)

2. Budgeting Improvements Underway

The SMITHSONIAN INSTITUTION expanded the application of computer technology to budget analysis and projection and to the monitoring of the current year budget. With the purchase of personal computers and software packages for electronic spreadsheets and data base management, specialized computer work files and reports were developed for distribution to top Smithsonian management. Moreover, the graphics capability demonstrates specific trends and relationships of different budget elements more clearly to management. In FY 1985 and FY 1986, computer capability will be strengthened by the Smithsonian computer task force. The responsibilities of the task force include the recommendation of equipment and software purchases; the determination of the computer training needs for budget analysts and

support staff; the development of standard guidelines for computer files, directories, and report formats; and the establishment of communications capability with word processing systems and other computer systems throughtout the Smithsonian. A computer users group was also created within the Office to act as an advisor for the task force and to share information and solutions to problems encountered. (Ed Ballotta, 287-3455)

The STATE DEPARTMENT's new financial management system standardizes and automates key budgeting activities, that were performed manually. The financial system provides new capabilties to establish operating plans and report actual fiscal results against these plans. It also enables users to enter planned amounts and changes. The financial system accumulates accounting actuals at the same level of detail as the plan, at the operating allowance level. These actuals are then compared to the appropriate operating plan amounts for reporting plan versus actual. The available balances of plan are computed, and exceptional variances from plans are reported.

Automated capabilities outside the financial system are currently available in Washington to support financial planning and budget preparation at headquarters. The financial system will interface with these existing capabilities and eventually replace them. It is planned that budget preparation, financial planning, reimbursements, and plan versus actual reporting will all be linked. Budgets, financial plans, and operating plans will all be prepared in a consistent fashion.

The overseas accounting and budgeting portion of the financial system is now operational at the Embassy in Bonn, West Germany. The system includes disbursing, accounting, and budgeting subsystems, and will be installed overseas in twenty-three locations. Future plans include installation of the overseas financial system in three additional locations by the end of spring 1985, and installation at all financial management centers by October 1986. (James Marable, 524-1188)

D. CASH MANAGEMENT

Agency improvement reports show continued and expanded use of automated systems such as the Electronic Funds Transfer and the Treasury Financial Communications System (TFCS). Many agencies have also taken steps to automate their payment and collection systems. Increased emphasis is being placed upon reducing cash advances through automation and use of credit cards. Samples of agency improvements are presented below.

1. Cash Management Improvements Accomplished

The FOOD AND NUTRITION SERVICE, Department of Agriculture, has implemented a sophisticated, high-speed, computerized funds

transfer system in all States. In 1979, the Service started using the Letter-of-Credit Message Retrieval and Authorization Subsystem (LMRAS) terminal interface.

With Letter-of-Credit-Treasury Financial Communication System (LOC-TFCS), State agency requests for funds are processed within 24 hours after they are received by Treasury. Although the system is sophisticated, it is not complicated. Through its commercial bank and the Federal Reserve System, a State electronically requests funds from Treasury. Treasury immediately notifies the Service of the request via the LMRAS terminal at the Service headquarters. Headquarters notifies the appropriate region of the request through the agency's internal communications system. The region evaluates the request, using the latest fiscal data for the requesting State agency. (Larry Wilson, 447-8345)

The URBAN MASS TRANSPORTATION ADMINISTRATION (UMTA), Department of Transportation, operates the central processing site within the Department of Transportation for processing within the Department the LOC-TFCS payments. LOC-TFCS transfers funds to the recipient's financial institution via electronic means. To receive payment under the LOC-TFCS, the grantee organization submits a request for funds to its financial institution which wires the request to the Department of Treasury through the Federal Reserve Communications System. The request is automatically verified as to availability of funds first by Treasury and then by UMTA for approval or rejection. If the drawdown is approved by UMTA, Treasury wires the funds to the financial institution. Within 24 hours, the transaction is completed and the funds are available for use by the grantee. Under the LOC-TFCS, pre-audit of grantee requests by Mass Transportation prior to drawdown payment, coupled with a rapid guaranteed payment turnaround time, enables improved monitoring of letter-of-credit disbursements and closer timing of disbursements to the grantee's actual cash requirements. Full conversion of all letters-of-credit will be completed during FY 1985. (Charles Christovich, 426-2918)

The DEPARTMENT OF COMMERCE has collected $198 million in accounts and loans receivable during the year, an increase of approximately $8 million over the prior year. The rate of collections increased to 16.5 percent in FY 1984; a modest but noticeable improvement since most debts held by the Department are long term in nature. In the area of delinquent/defaulted debt collections, the rate of collection of these receivables jumped from the prior year performance of 25 percent to 40 percent in FY 1984.

Commerce's major debt management initiatives included:

--Development of Debt Management Data Base. This system contains the 22 data elements for each debt account which OMB requires pursuant to the credit reporting agreements with commercial and consumer credit reporting bureaus. To

date, approximately 1,300 commercial and public accounts amounting to $758 million have been loaded in the system, or approximately three quarters of the total debt portfolio held by the Department.

--Reporting debts to credit reporting bureaus. The Department began reporting commercial debts to credit bureaus in September 1984--one of the first Departments to report Government debt information to the private sector credit reporting bureaus. A total of 604 loan accounts were reported amounting to $511 million.

--Governmentwide Policies and Procedures for Sale of Loan Portfolio. The Department submitted to OMB a draft copy of "Criteria and Procedures for Sales of Loans held by the Federal Government." Tne study was prepared by the Department as part of its lead agency responsibilities under Reform '88. (Patricia Ryan, 377-4593)

Through various initiatives, the DEPARTMENT OF EDUCATION generated interest savings of $13.3 million, and $34.5 million in accelerated collections/deferred payments. These savings resulted primarily from increasing the number of recipients paid by electronic funds transfer by 60 percent and the number of deposits received by electronic transfer by 100 percent over the prior fiscal year.

Two other credit management initiatives were implemented:

--Reporting Student Loan Delinquencies to Credit Bureaus. During 1984, Education completed modifications of its computer system to enable the automatic transfer of data to credit bureaus, mailed approximately 550,000 "notices of intent" to delinquent borrowers informing them of the impending referral action, and successfully completed negotiations with the Federal Trade Commission on several legal issues associated with referring individuals to consumer reporting agencies.

--Computer Match - The Salary Offset Project. The Debt Collection Act of 1982 (P.L. 97-365) authorized Education to offset the salaries of Federal employees who are in default on student loans. Education conducted a computer match of 10 million Federal employee records against its student loan files and identified 46,860 current and retired Federal employees who are in default on nearly $68 million.

During 1984, Education published salary offset regulations and provided Federal agencies with guidance on implementing salary offset procedures. Education also mailed approximately 5,000 final "notices of intent" to Federal employees in civilian agencies regarding the salary offset and final 30-day notice

mailgrams to civilian and military Department of Defense delinquent employees. Those Federal employees not responding to final notices will have their salaries offset by their employing agencies. (Dave Dexter, 472-6032)

The ENVIRONMENTAL PROTECTION AGENCY developed a new set of monthly cash management status reports. The new reports stress the use of graphics to monitor a variety of high priority financial management areas. Special attention is focused on accounts receivable, accounts payable, travel advances, grant advances, and imprest fund balances. The reports package is sent to the agency's senior management as a means of providing timely executive oversight of selective key financial indicators relating to Environmental Protection Headquarters and Regional Financial Management offices and as a way of fostering financial practices which are consistent, accurate, efficient, and effective. (Joseph Nemargut, 382-5657)

The DEPARTMENT OF HEALTH AND HUMAN SERVICES implemented a system where all discretionary grantees that use the Direct Pay or Letter-of-Credit system were required to submit Federal Cash Transaction Reports within 15 working days of the end of each quarter, and include in the report estimated cash needs for the subsequent three months.

Failure to submit a timely report or the required cash needs information was cause for suspension of payment. Previously, grantees had submitted estimates on a yearly basis, and often had excess cash from current and prior budget periods. The new system established a continuum from one budget period to the next, and a disregard for different program accounts. It stressed simply that cash on hand at the end of a quarterly reporting period (determined by the grantee's budget period) was to be considered excess cash and was to be subtracted from a subsequent month's cash requests.

These reports provide accurate and current information about grantee cash needs and slow patterns of excess cash, or not enough cash, and provide assistance or training. (David Ramos, FTS 8-472-3243)

The MINE SAFETY AND HEALTH ADMINISTRATION, Department of Labor, entered into a contingency fee contract, with a collection agency for collection services to recover delinquent civil penalties by the Administration and owed by mine operators under the provisions of the Federal Mine Safety and Health Act of 1977. During the first year of the contract, the agency was credited with $737,155 in collections. The contract is a one-year contract with two additional option years. The Administration has renewed the contract for the second year. This project has assisted the Administration in collecting $7.6 million and reaching its goal of $7.5 million in collections. (Richard Baker, (703) 235-8357)

The LANGLEY RESEARCH CENTER, National Aeronautics and Space Administration, developed a new invoice payment system. The system is a real-time online computer system that incorporates cash management regulations, not to pay early or late and taking only cost effective discounts. The system determines the payment date of the invoice from the date the invoice is received, the discount terms, and the date the material is received. If a cost effective discount is not offered, the pay date is determined from either the date of the invoice or material received date, whichever is later. The payment amount is also determined by the system. If the discount is cost-effective, the amount of the discount and the payment are determined by the system. After certification, the invoices are "warehoused" in the computer system until the transmission date. Payments to be transmitted to the Treasury are extracted from the system, verified, and transmitted via telephone line directly to the Treasury. The accounting data for the payments are automatically prepared and entered into the accounting system. (Joseph Struhar, FTS 928-2724)

The OFFICE OF PERSONNEL MANAGEMENT improved its system of accounting for receivables due the U.S. Civil Service Retirement Fund. This system maintains more than five thousand accounts for individuals who are no longer receiving retirement benefits, with a value of over twenty million dollars. The previous manual receivable system contained only minimal debtor account information, did not conform to the requirements of the Debt Collection Act, and required many staff hours to maintain.

The new debt management system maintains the subsidiary records in an efficient manner, generates individualized initial billing letters, produces up to three follow-up letters on late payments, generates monthly statements, assesses interest as required by the Debt Collection Act, produces management notices for accounts that become delinquent, and provides all the necessary summary data needed to fulfill internal and external reporting requirements. Since converting the manual accounts to the new system in July 1984, the accuracy of receivable records has improved and management now is provided with the information needed to monitor and control outstanding debts. (John Webster, 632-7450)

The URBAN MASS TRANSPORTATION ADMINISTRATION, Department of Transportation, developed and implemented a new reporting procedure called the Analyses of Letter-of-Credit Drawdowns by Grantees. The Departmental Office of Inspector General issued an audit report on Mass Transportation's disbursements under Letter-of-Credit procedures. That report stated that a number of grantees held excess Federal funds totalling several million dollars. Excess cash was apparently generated by faulty grantee accounting methods. It was also agreed that the excess Federal funds held by grantees would be substantially more if all grantees were audited.

The new reporting procedure is designed to help limit the amount of excess funds held by grantees. Beginning in February 1984, a requirement was placed upon each grantee to submit a "Status of Federal Funds Report" of one month's cash activity twice a year. The reports are then reviewed to ensure that the balances of cash held by each grantee do not exceed the limits established by the Treasury Department. If funds are drawn in excess of immediate disbursement needs, the grantee must promptly refund the excess funds and redraw the funds when needed. By continuously monitoring the Letter-of-Credit drawdowns, the agency can ensure that Federal funds in the hands of grantees will be used efficiently. (Charles Christovich, 426-2918)

2. Cash Management Improvements Underway

The POWER MARKETING ADMINISTRATION, Department of Energy has implemented improved billing procedures which have accelerated receipts by reducing the number of days between the end of a service period and the mailing of a bill, and by using estimated billings when appropriate. Implementation of these procedures was begun in FY 1983 and is continuing. Additional improvements which are planned included automated metering, which transfers data directly from remote locations to a central billing office, and computerized preparation of statements. Implementation of these planned improvements will further accelerate receipts. Interest related savings resulting from a celeration of receipts totaled about $2.7 million in FY 1984. (Mark D. Loop, (301) 353-4832 or FTS 233-4832)

The TENNESSEE VALLEY AUTHORITY (TVA) is pursuing collection of delinquent energy conservation loan accounts which have been recommended by power distributors for write-off. Energy conservation loans are made by TVA to the power distributors who in turn make loans to program participants. When a loan is considered delinquent and all collection efforts have been exhausted, the account is forwarded to TVA for write-off and the distributor is reimbursed for expenses incurred. The write-offs represent approximately one percent of the total outstanding loans for the Energy Conservation Program.

TVA plans to assist the distributors in their collection efforts. Since most of the accounts are written off because the debtor cannot be located, the initial concentration will be in locating the debtors. Another approach is to ask the distributors to assign TVA the receivables they cannot collect, so that TVA can actively pursue collection from the debtor. (Terrell M. Burkhart, FTS 856-8144)

The FEDERAL HIGHWAY ADMINISTRATION (FHWA), Department of Transportation, is participating in a pilot test to evaluate various methods of delivering funds to the States for reimbursement of costs incurred on Federal-aid highway projects. The test is a part of an overall Joint State/Federal Cash Management Reform

Task Force initiative to provide cash flow equity between the States and the Federal Government. FHWA was selected to participate with three of the four pilot States.

FHWA developed modified reimbursement techniques that allowed the three participating States to submit reimbursement claims as often as daily. Payments are processed through the Department of Transportation standard payment site of the Treasury Financial Communications System. This allowed funds to be credited to the States' accounts just prior to the issuance of the program related State warrants. A significant feature of this activity was the fact that both FHWA and the States were able to participate in the test utilizing the existing billing system. FHWA is currently in the process of evaluating the pilot test. (Roy Marcey, 426-0622)

The DEPARTMENT OF LABOR is developing an automated Credit Reporting System (CRS) to assist its agencies in reporting commercial and delinquent consumer debts over $100 to participating credit bureaus. The system will be an online interactive system utilizing a Data Base Management System to collect and store credit information. Labor agencies will input their credit data through terminals and the consolidated data base will be reported to the credit bureaus on a monthly basis. The system will provide edit and update capabilities for input data, management information reports, queries, and formatted output tapes for submission to the credit bureaus. The system is scheduled for implementation in Fiscal Year 1985. (Bill Macklin, 523-8184)

E. Payroll and Personnel Systems

Agencies efforts to improve payroll and personnel systems included greater use of automation for data entry and centralization of the payroll functions. Emphasis is being placed on systems that process data accurately, produce timely information, and provide good service to employees.

1. Payroll and Personnel Improvements Accomplished

The DEPARTMENT OF LABOR implemented an online interactive Payroll Maintenance System which provides instantaneous data entry, updating, and retrieval of individual payroll records. The system uses minicomputers to enter data from the source documents and provides instant edit, update, verification, and query capabilities for the employee's master payroll record. The system affords a more efficient payroll processing environment through increased accuracy and timeliness. The system allows interactive processing in a wide variety of areas including income tax; optional deductions including charity and bond deductions; union dues; collection and refund transactions; and leave balances. (Clyde Barrett, 523-8314)

The JOHNSON SPACE CENTER, National Aeronautics and Space Administration, implemented a new and enhanced payroll system. The purpose of the enhancement is to improve operational

capability, which minimizes the efforts required to meet payroll deadlines. This was accomplished by providing modular software that was fully documented and online capabilities for personnel changes and time and attendance (T&A) corrections. The terminals used for online processing provide flexibility for distribution of peak workloads and are identical to the Center's Interactive Basic Accounting System. Cost savings will be about $50,000 a year in software maintenance. (Jerald L. Greif, FTS 525-3026)

The FEDERAL AVIATION ADMINISTRATION, Department of Transportation, has further consolidated payroll processing within the Consolidated Uniform Payroll System (CUPS) to three payroll processing centers. The CUPS, the official Departmental system, payrolls all civilian Departmental employees except for the Maritime Administration and St. Lawrence Seaway Development Corporation. Absorption of these agencies into the CUPS is currently under review.

Enhancement of T&A processing has been implemented at FAA's Southern Region Center. Optical character reader (OCR) technology is being used to process T&A reports in lieu of conventional key entry. The attendant edit capability of the OCR equipment provides much greater accuracy than manual entry in addition to reducing the time and staff needed for processing.

The use of remote data entry technology at field facilities is being reviewed. This capability would permit remote T&A entry and telecommunication of data. This concept would greatly increase timeliness of T&A data and reduce the incidence of amended T&A reports by eliminating mailing deadlines. (Richard Sloan, 426-8141)

The DEPARTMENT OF THE INTERIOR completed its conversion to a single integrated payroll/personnel system (PAY/PERS). The PAY/PERS system, located in Denver, services a variety of users from within and outside the Department meeting unique processing requirements and servicing a broad range of types of employees. PAY/PERS performs a full range of payroll and personnel functions, and provides edits on input, updates to master files, payroll calculation and reporting, automated reports, and query capability.

Conversion to a single PAY/PERS system has resulted in a more efficient administrative system by eliminating costs incurred for duplicative systems development, maintenance, and operation. Other benefits include: consistency in classification and reporting, simplified payroll/personnel training, consistent interpretation of laws and regulations, improved user satisfaction, and strengthened internal controls. (James T. Carter, 343-8425)

2. Payroll and Personnel Improvements Underway

The DEPARTMENT OF STATE has contracted for the design and development of an overseas--domestic linked payroll system for foreign service nationals.

The Department pays approximately 17,000 foreign service nationals worldwide. Payrolls are currently processed at three Regional Overseas Centers and the Washington Finance Center, each utilizing different software, procedures, and input formats. Post payroll practices differ widely as the United States Government maintains a policy of compensation according to "prevailing practice" surveyed and documented locally, but maintained and approved centrally in Washington. The system developed must be able to handle payments in kind, lump sum annuities and innumerable categories of benefits.

The project is currently in the user requirements definition phase, leading to a conceptual design and draft functional requirements by the end of FY 1985. (James Marable, 524-1188)

The DEPARTMENT OF THE NAVY's active duty direct deposit program will replace the current pay deposit quicker program and eliminate composite checks to financial institutions by utilizing the Federal Reserves' Electronic Funds Transfer System. The pay enchancements include mid-month pay computations vice monthly, program will replace the current pay deposit program and eliminate composite checks to financial institutions by utilizing the Federal Reserves' Electronic Funds Transfer System. The pay enhancements include mid-month pay computations versus monthly, full amount of dollars and cents payments each payday and supplemental payments for specific large ticket items. Additional improvements to the pay system, derived for direct deposit, are the reduction of override payments for nonpostal items of pay, and the prefixed payrolls system which allows an account to remain in balance until the items of pay are posted. The fiscal advantages of direct deposit include reductions in: cash-on-hand requirements of the disbursing officer; preparation of individual checks for members; and disbursing officers liability and accountability. All shore activities are expected to be fully operational with direct deposit no later than December 31, 1985. (Walter Salkauski, 697-9868)

The DEPARTMENT OF THE ARMY is redesigning its existing Joint Uniform Military Pay System (JUMPS) to take advantage of state-of-the-art technology. The new system will eliminate all manual payments presently outside the current system, include cadet pay, and eliminate certain manual controls and logs used in the field finance office. The system will better utilize ADP resources and be responsive to change. Implementation is planned to occur on an incremental phased basis. The JUMPS teleprocessing inquiry system, a subset of the Military Pay Redesign efforts, was improved last year. The system allows field finance offices to view, through terminals, a host of financial management data available

at the central processing site located at the U.S. Army Finance and Accounting Center. This lessens the need for hard copy files in the field finance offices. More specifically, this will lead to the elimination of the maintenance of the soldier's Personal Financial Record. The first site was activated in May 1984 and this system is now being scheduled to be implemented Army-wide by mid-1985. (C. Klobus, (317) 542-3222)

F. PRODUCTIVITY AND OTHER IMPROVEMENTS

Agencies reported that progress was made in productivity in finance and accounting. Methods used to increase productivity include processing information at more effective locations, increasing use of telecommunications to move information, and implementing more effective accounting policies. Some examples of the significant improvements are highlighted in the following paragraphs. Improvements resulting from other techniques and automated efforts not clearly or directly related to the previous financial management categories are also summarized in this section.

1. Productivity and Other Improvements Accomplished

The DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT's Office of Finance and Accounting has over 115 applications on microcomputers and another 57 planned or under development. The applications used to date have made significant improvements in automating manual accounting for small programs and have improved staff productivity and improved management's ability to track progress in major agency initiatives. Three of the more significant applications were:

--An accounting and reporting system was developed and implemented connecting Treasury and Housing and Urban Development by data link through microcomputers. Now the agency's total reporting to the Treasury is done electronically.

--A pilot program was developed to link together word processing, personal computers, and mainframe processing to establish a complete office automation system.

--Section 8 Accounting System pioneered the nationwide use of microcomputers at the Department. This system automates the labor-intensive disbursement and accounting functions of the Section 8 program and is estimated to save about one-third of the staff time previously required for manual processing. This system also provides disbursement reporting not previously practical to compile from manual records. (Mary Ellen Firor, 755-4721)

The DEPARTMENT OF THE ARMY established a systematic productivity improvement review program. This program is based on three implementation concepts. The first concept is to encourage "thinking and doing" productivity. The program attempts to

institutionalize integration of effectiveness and efficiency in the field by encompassing all productivity programs under one umbrella, building on the existing programs, and providing real and meaningful incentives to operate efficiently. The second concept requires that the program obtain full and coordinated staff and field involvement and support. This was done by assigning clear, measurable savings goals for each participating field activity. Goals were based on a percentage of the resources actually managed by the commander of each activity. Achievement of each goal was validated based on an annual, detailed report which was subjected to close staff scrutiny. The validated savings were used to integrate the program into the resource process through the command operating budget. The final implementation concept was to show how well resources were mandated. Incentive to encourage pursuit and reporting of good management was developed by allowing each field activity to retain the savings they identified. Additionally, the performance of each activity towards goal accomplishment was a matter of command interest. Letters noting accomplishments and failures were provided to reinforce program importance. The top three best activities receive additional obligation authority of $1 million, $500,000, and $300,000 for first, second, and third places, respectively.

For FY '84, the initial results for the program showed 1,680 initiatives totaling over $626 million in claimed savings were taken. (Mr. Creasey, (804) 727-4438)

The DEPARTMENT OF THE ARMY implemented a procedure for tracking cost performance of small contracts which are typically under $2 million. The small contract cost performance evaluation provides management with monthly reports of cumulative dollars and manhours spent, percentage of dollars and hours remaining, actual spending compared to scheduled spending, and up-to-date modifications, option implementation, and other contractual changes. Data is collected from the contractor within 15 days after close of an accounting month. After the data is entered into the system a short factsheet and a graphic line chart for each contract are produced. The effort has developed a more professional relationship between monitors and their contractors as well as created a remarkable interest in and concern for early detection of spending problems. This evaluation, at present, covers 63 contracts for a total of $62 million. (Jim Quade, (205) 895-3592)

The DEPARTMENT OF THE NAVY developed internal control materials to train all Defense Department agencies. Subject matter experts representing the Navy, Army, Air Force, Office of the Secretary of Defense, Defense Logistics Agency, Defense Inspector General, and a contractor developed the Internal Control Course in six months. This self instructional course was distributed to all Defense activities in the fall of 1984. During development, representatives of GAO and OMB reviewed the course materials. Their comments indicated the course is applicable to

all government agencies. The cost savings associated with this course are intangible. Both the course and the internal/management control review can be completed simultaneously. The workbooks accompanying the course are designed to assist in the documentation process. (Tom Boerger, 695-3587)

The DEFENSE CONTRACT AUDIT AGENCY performed productivity and management-effectiveness reviews and analyses of its major administrative and management processes. How and by whom information is created and processed was determined, and the impact of such information on the quality and timeliness of management decisions and actions was evaluated. Short-term modifications were made to existing systems to achieve immediate productivity or qualitative improvements.

Technological advances and price reductions in computer hardware and software will provide the means for achieving significant improvements in productivity and management effectiveness. An agency-wide computer network which basically incorporates the following elements is being installed.

--Multi-functional computers and supporting software will be installed in each of its approximately 140 field audit offices located throughout the United States.

--Each organizational level will have independent, local data, and word processing capability, while the network will permit communications throughout the network hierarchy. Generalized and data base management system software will be standardized at all organizational levels.

--Data and word processing functions will be fully integrated. Therefore, information generated in either word processing or data processing modes will be transferable to the other mode, thus, eliminating the effort now expended in recreating data. Integration of these functions will significantly improve administrative and reporting procedures and permit us to design new systems which take advantage of the unique capabilities in office automation.

--Specialized software will provide managers with immediate and direct access to information which can be used to more effectively project, plan, and control audit workload. The ease of obtaining critical planning and performance information will significantly increase the managers' ability to analyze and respond to audit requirements.

--The availability of low cost, computer capability will permit development and use of specialized audit programs which effectively address situations the agency is now encountering as increasing numbers of Defense contractors

convert to fully automated financial and production control systems. (Ellen Embrey, 274-7307)

2. Other Improvements Underway

The DEPARTMENT OF JUSTICE is establishing a Financial and Accounting Working Group to ensure all bureaus are represented when Departmental accounting questions arise.

The Group includes each bureau's chief systems and operating accountants. It serves as a mechanism that provides for the effective coordination of uniform Departmental financial management policies and practices. The working group uses a consensus building approach to discuss and propose approaches for the Department of Justice to (a) implement financial or accounting policies, principles, standards, and related requirements, (b) address Departmental accounting issues, and (c) identify common accounting requirements and financial information needs of Departmental management.

The first meeting of the Group occurred in January, 1985 with monthly meetings scheduled thereafter. The first initiative of the Group will be the Department's response to OMB Circular A-127, Financial Management Systems. (Kamal Rahal, 633-5538)

The BUREAU OF PUBLIC DEBT, Department of the Treasury, is converting approximately 154,000 paper case files, currently stored in the Division of Securities Operations, to microfiche. These case files are used by several Bureau organizations. Having the case files on microfiche will produce a number of productivity improvements, including:

--Faster turnaround time on all case file requests will be greatly reduced.

--Multiple copies of each case file will be easily available (several organizations could utilize the same case file).

--The original case file will never leave the files area, improving file integrity.

Once the conversion is completed, a staff savings of six staff years will be realized, and filing space will be reduced by approximately 900 square feet. (Mary Turner, 447-1339)

KEY OFFICIALS OF JFMIP DURING 1984

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David A. Stockman Chairman (through 9/84)	Director Office of Management and Budget
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Susumu Uyeda (retired 12/1/84)	Executive Director Joint Financial Management Improvement Program

JFMIP STAFF

The day-to-day operations are carried out by the Executive Director and a small staff. The project directors provided by the principal agencies serve on the staff for a period of 12 to 18 months.

Executive Director	Susumu Uyeda (retired 12/1/84)
Assistant Executive Director	Doris Chew
Senior Project Director	Kenneth Winne
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Project Directors Detailed From Principal Agencies

George Englert (1/84 - Present)	General Accounting Office
Roberta Huber (6/83 - 6/84)	Department of the Treasury
Diane Bray (6/84 - 4/85)	Department of the Treasury

AVAILABLE JFMIP PUBLICATIONS

1976 -- Money Management Study.

1980 -- Proceedings of Workshop on Debt Collection.

1981

Do It Yourself--Compare and Improve Your Payroll System.
Measuring Productivity in Accounting and Finance Offices.
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JFMIP Quarterly News Bulletin (All issues not available).
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Property Management Evaluation Guide for Federal Agencies.
Proceedings of the 11th Annual Financial Management Conference.
Bar Code Technology--A Means to Improve Operational Efficiency and Internal Control.
Using Statistical Sampling to Improve Productivity in Federal Government.

1983

Managers--Reduce Your Systems Development Costs by Adopting An Available Accounting System.
Proceedings of the 12th Annual Financial Management Conference.
Annual Report--1982.
Proceedings of Workshop--Using Microcomputers for Financial Managers.
JFMIP Quarterly News Bulletin (All issues not available).
Financial Management Directory - 1984.

1984

JFMIP Quarterly News Bulletin (All issues not available).
Proceedings of 13th Annual Financial Management Conference.
Annual Report--1983
Financial Handbook for Federal Executives and Managers

1985

JFMIP Quarterly News Bulletin.
Annual Report--1984
Financial Management Directory - 1985
Proceedings of 14th Annual Financial Management Confernece.

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